

# The Incorporated Accountants' Journal

## The Official Organ of The Society of Incorporated Accountants and Auditors

THE INCORPORATED ACCOUNTANTS' JOURNAL is published monthly, on the first day of each month, at an Annual Subscription of 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 3d., postage extra.

Communications respecting the general business of the paper to be addressed to the Secretary of the Society of Incorporated Accountants and

Auditors, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2. Cheques and postal orders should be made payable to the Society, and crossed "Bank of England."

Letters for the Editors to be forwarded to them, care of the Secretary, as above. Correspondence, copies of reports and accounts, &c., will be welcomed from the profession.

Vol. XLIX

JUNE, 1938

No. 9

### Contents.

	PAGE
Professional Notes .. .. .	293
Society's Annual Meeting (Article) .. .. .	296
Is a Mortgage a Debenture? (Article) .. .. .	297
Society of Incorporated Accountants and Auditors:	
Council Meetings .. .. .	298
South African (Western) Branch: Annual Meeting .. .. .	300
Membership .. .. .	300
Annual General Meeting .. .. .	301
Annual Report .. .. .	305
Contributory Pensions .. .. .	298
Conference of Representatives of Branches and District Societies .. .. .	299
Society of Incorporated Accountants in Ireland: Annual Meeting .. .. .	309
Income Tax Deduction 1938-39 .. .. .	310
The Incorporated Accountants' Benevolent Fund:	
Annual General Meeting .. .. .	311
Incorporated Accountants' Research Committee: Design of	
Accounts .. .. .	314
Obituary .. .. .	316
Finance Bill .. .. .	317
Partnership Dissolution Accounts: Lecture by Mr. K. V.	
Stephens, B.A. .. .. .	330
Questions in Parliament .. .. .	332
Changes and Renewals .. .. .	333
Forthcoming Revenue Cases .. .. .	333
Machine Accounting Exhibition .. .. .	334
The Boy Scouts Fund .. .. .	334
District Societies of Incorporated Accountants .. .. .	334
Scottish Notes .. .. .	339
Legal Notes .. .. .	339

most part the provisions of the Bill are of a highly technical character, the machinery for the prevention of tax avoidance being both elaborate and complex, and in the space of a few notes it is not possible to convey more than a general idea of the more important proposals.

Last month we mentioned (a) the additional wear and tear allowance in the case of plant and machinery, and (b) the modification of the method of assessment for the benefit more particularly of the small taxpayer. As there is little more to be said with regard to these matters we do not propose to refer to them again, but the provisions relating to the taxation of the income of trust estates during the period of administration, to which we also referred last month, go somewhat further than the Chancellor of the Exchequer indicated in his Budget speech. It now appears that the taxation of income, in so far as it is distributed to residuary legatees or life tenants during administration, is provisional only and that on the completion of the administration the income applicable to each year is to be ascertained on the basis that it has accrued from day to day, and the income so ascertained is to displace the provisional figures arrived at on the basis of receipts. In some respects there are distinctions between absolute interests in residue and limited interests in residue.

Another provision of the Bill establishes liability to Income Tax in respect to dividends payable out of public revenues abroad by means of coupons or otherwise, and bankers or other persons in the United Kingdom through whom the income is received are required to deduct tax when paying the proceeds to the owners of the coupons.

When Funding Bonds are issued to a creditor in satisfaction of interest on a debt the issue of the bonds is to be treated for Income Tax

### Professional Notes.

At a meeting of the Council of the Society of Incorporated Accountants and Auditors held at the conclusion of the Annual Meeting on May 17th, Mr. Walter Holman (Allen & Baldry and Holmans) was re-elected President, and Mr. Percy Toothill (Henry Toothill & Sons, Sheffield) was re-elected Vice-President.

Members of the Society are reminded that applications for the Incorporated Accountants' Course to be held at Oxford on July 13th to 17th next should reach Incorporated Accountants' Hall not later than June 10th.

In another part of this issue will be found the text of the Finance Bill in so far as it relates to the incidence of Income Tax and the National Defence Contribution. In fact, the greater portion of the Bill is devoted to those subjects. For the

purposes as payment of interest equal to the value of the bonds at the time of issue, and the person through whom the bonds are issued is to retain, for payment of Income Tax, bonds of a value at the time of issue equal to the standard rate of tax, and may tender the bonds so retained in satisfaction of the tax.

Clause 21 of the Bill makes special provision for computing Income Tax profits in relation to the valuation of trading stock when a business is either discontinued or sold to another proprietor. In the case of a sale the value to be taken is the amount realised or the value of the consideration given for the transfer. In the case of closing down a business the value to be taken is the amount which the stock would have realised if sold in the open market. The object of this provision is apparently to avoid the stock being brought into the final account of a discontinuing business at one price and charged as commencing stock in the accounts of a new proprietor at a higher price. It will be apparent that if in the accounts of the closing business the stock were included at cost and in the opening account of the new proprietor the stock were debited at the sale price (which would in fact be the new proprietor's cost price), there might frequently be a loss of assessable profit to the Inland Revenue.

The circumstances and conditions under which a tenant occupier may pay Schedule A tax in two instalments are set forth in Clause 14 of the Bill.

The Inland Revenue circular giving particulars as to Income Tax deductions at the new rate in relation to the payment of preference and ordinary dividends, interest, annuities and ground rents, &c., will be found on page 310.

In relation to the National Defence Contribution it is now provided that for the purpose of aggregating the figures of a parent company and its subsidiaries, the test of a subsidiary company is to be the holding by the parent company of 75 per cent. of the ordinary capital of the subsidiary instead of 90 per cent. as hitherto. There is also an amendment respecting the carrying forward of losses which is designed to prevent a double allowance, and the extra allowance which has been granted for Income Tax in relation to wear and tear is made applicable also to the calculation of N.D.C. liability. Schedule 3 may be fairly described as a Chinese puzzle.

The passing by the House of Commons of the Hire Purchase Bill has brought many congratulations to Miss Ellen Wilkinson, by whom it was sponsored. Some of the worst risks to the purchaser in relation to hire purchase transactions are abolished, or at least diminished, by this useful measure. It is not aimed at legitimate hire purchase business but it does afford some protection against unscrupulous dealers who contrive to snatch back goods which have been practically paid for but whose hirers may have got into temporary difficulties.

It has been decided to prolong the currency of the first issue of Savings Certificates beyond their present final date which was March 31st, 1940. In moving a resolution to this effect in the House of Commons, Sir John Simon said that those certificates which were issued at 15s. 6d. and were on sale from February, 1916, to March, 1922, were now worth between 32s. and 38s. each according to the date they were taken out.

Litigation is pending between the South Shields Corporation and the Board of Inland Revenue respecting the basis of the Corporation's income tax assessment. The Corporation is claiming that it should be regarded as one entity for income tax purposes, whilst the Inland Revenue authorities contend that the Corporation should be treated as if it were divided into a number of compartments, each to be considered separately when assessments were being made. It is stated that, at a recent meeting, the representatives of some fifty local authorities agreed to recommend their Councils to offer financial support to the South Shields Corporation in endeavouring to establish their contention.

In our issue of April last we referred to the position respecting the estates of deceased persons domiciled in Northern Ireland and the assessment of Estate Duty by the English Revenue authorities on the value of property in England on which an annuity was secured. The decision then referred to (*Re White: Skinner v. Attorney General*) has now been affirmed by the Court of Appeal.

The decision in the case of *Lever Brothers v. Inland Revenue Commissioners* relating to exemption from stamp duty where an undertaking is acquired wholly or mainly in consideration of the allotment of shares, has also been affirmed by the Court of Appeal, but it is understood that the matter will be carried to the House of Lords.

The case of *Beresford v. Royal Insurance Company Limited*, relating to the question of liability where the assured had committed suicide, has now been before the House of Lords, who have affirmed the decision of the Court of Appeal to the effect that notwithstanding the terms of the policy the Insurance Company was not liable. In delivering judgment Lord Atkin said there was no doubt that on the proper construction of the insurance contract the company promised that if the insured, in full possession of his senses, intentionally killed himself they would pay his executors the sum assured, but their Lordships considered that there was an absolute rule of law that the Courts would not recognise a benefit accruing to a criminal through his own crime. Deliberate suicide had always been regarded in English law as a crime and the person represented by the assured had no better right to sue than the assured himself would have had.

Where a person succeeds to a business previously carried on by another person, the benefit of the losses sustained by the predecessor cannot be claimed by the successor, but it has been held in the case of the *United Steel Companies, Limited, v. Cullington* that the successor can claim the benefit of any unexhausted Wear and Tear allowances. The appellant company was formed with the main object of amalgamating the businesses previously carried on by the United Steel Company Limited and the United Strip and Bar Mills Limited. Both these companies had sustained trading losses for which they had not obtained relief up to the date of the amalgamation and both had accumulated Wear and Tear allowances. The amalgamation, which was in the nature of a reconstruction, was sanctioned by an order of the Court, the rights of creditors of the old companies being transferred to the new company. The appellants claimed that in the circumstances they were entitled to the benefit of both the unexhausted losses and the unexhausted Wear and Tear allowances of the two old companies.

Mr. Justice Lawrence had no difficulty in deciding that they could not bring forward the losses of the old companies, but as regards the Wear and Tear allowances the position was not so clear. It had been held in the case of the *Scottish Shire Line v. Lethem* that a successor was so entitled, but this decision was given prior to the passing of the Finance Act of 1926. His Lordship referred to the provisions of Rule 11 (as amended by that Act) and drew attention to the difference in wording of sub-section (2) and

the proviso to sub-section (1), there being no reference in the former to a "new" trade. In addition he considered it was necessary to distinguish between alterations in the basis of computation and alterations in the allowable deductions from the profits as computed. It was clear from Rule 6 that the Wear and Tear allowance came within the latter category, while Rule 11 related solely to the basis of computation. In His Lordship's view therefore the appellants were entitled to the benefit of the unexhausted Wear and Tear allowances of their predecessors.

We referred in these columns in December last to the decision of Mr. Justice Lawrence in the case of *Morley v. Tattersalls*, upholding the claim of the Inland Revenue authorities that moneys received by Messrs. Tattersalls in their capacity of auctioneers, and unclaimed over a period of years, were liable to be included by them as part of their trading profits for Income Tax purposes to the extent that they had been transferred to the partners' capital accounts. This decision has now been reversed by the Court of Appeal, the Master of the Rolls pointing out that the Crown's argument was based on a misapprehension of what was meant by trading receipts in Income Tax law. In the first place, it was clear that these items were not originally trading receipts, but the Revenue claimed that when they were transferred to the accounts of the partners they changed their identity and became trading receipts. In his Lordship's view this argument was unsound. In the second place, it had already been decided that when a liability included in a balance sheet was subsequently released by a creditor, the amount so released was not liable to Income Tax.

It was held by Mr. Justice Lawrence in the *House Property and Investment Trust, Limited, v. Kneen* that in computing the annual value of premises for Income Tax purposes the payment by a lessee of the insurance premium thereon was a factor to be taken into account. It was maintained on behalf of the appellants that it should be disregarded and that the annual value was the same whether the premises were insured or not, but his Lordship pointed out that, apart from the payment being described in the lease as "additional rent," the statutory repairs allowance must be taken to include the cost of insurance. The rack rent therefore had to be computed on the basis that the lessor bore the cost of insurance and received a higher rent.

## SOCIETY'S ANNUAL MEETING.

THIS month we publish the proceedings of the Fifty-third Annual Meeting of the Society of Incorporated Accountants and Auditors, together with the report of the Council and the accounts for the year 1937. The membership of the Society at December 31st last was 7,216, consisting of 1,507 Fellows, 5,706 Associates, and three Honorary Members—an increase of 308 in total on the preceding year.

The number of candidates who presented themselves for the examinations during the year was 1,841, which was 76 less than in the year 1936. This decrease arose entirely on the Intermediate examination, as both the Preliminary and Final showed increases. The percentage of failures in both the Intermediate and Final examinations was 55 per cent. as against 51 per cent. in the preceding year, but in the Preliminary examination the candidates were more successful, the failures having dropped from 53 per cent. in 1936 to 42 per cent. in 1937.

The Revenue Account of the Society shows a surplus of £3,457. This is an increase of about £230 over the preceding year. The income has increased both under the head of Subscriptions and Entrance Fees, while the expenditure shows but little variation, except that the costs relating to the Belfast Conference and the Jubilee celebrations of the American Institute of Accountants represent special outgoings for which there was no equivalent in 1936. The usual provision out of revenue was made for debenture redemption, and during the year an amount of £5,000 was applied in reducing the debenture liability, which now stands at £45,000 as compared with the original figure of £70,000.

Amongst other matters referred to in the report of the Council was the fiftieth anniversary of the Sheffield District Society.

Mr. Walter Holman in opening his Presidential address referred to the death of Sir Stephen Killik, and paid tribute to his interest in the Society and the valuable services he rendered, especially while he occupied the position of Lord Mayor of London, on which occasion the Honorary Membership of the Society was conferred upon him.

Proceeding, Mr. Holman mentioned the encouraging fact that there was an upward tendency in the registration of new Articled Clerks, and that notwithstanding the severity of the Society's examinations there was a steady growth in the Society's membership. He also referred to the advantages of the Refresher

Course at Oxford University to be held at New College in July next, and appealed to the senior members to enable their younger partners and qualified assistants to take advantage of the valuable educational facility thus afforded.

After acknowledging the hospitality extended to the Society and its representatives at the Jubilee celebrations of the American Institute of Accountants, and in Canada, Belfast and France, as well as by the Branches and District Societies in Great Britain and Eire, Mr. Holman referred to the International Congress to be held in Berlin in September next, at which papers are to be read by three members of the Council of the Society, namely, Mr. Cassleton Elliott, Mr. Witty and Mr. Stuart Allen.

On the subject of legislation, Mr. Holman said that some of the most important work carried out by the Council on behalf of the members was of a routine and unspectacular type. All public and private Bills submitted to Parliament were examined and a careful watch was kept on public notices and advertisements, appropriate action being taken where necessary to protect and support the interests of Incorporated Accountants. The need for revision of company law was, he said, being increasingly recognised and information was being collected by the Society in order that the Council might be prepared to give evidence when the time for doing so arrived. In this connection the co-operation of the members was requested and communications on the subject were invited.

The position of the Society in South Africa has been causing the Council some concern because of the introduction into the South African Parliament of a Bill for the registration of accountants. The Council, said the President, were working in close collaboration with their South African Committees in order to safeguard the position of the Society's members and articled clerks in any legislation which might take place. Mr. James Stewart, ex-Chairman of the Society's Johannesburg Committee, was present at the meeting and, in the course of the discussion, gave some interesting information as to the results of registration which had been operative for some time in certain of the Provinces of South Africa.

The President had also something to say on the subject of professional etiquette. The Council of the Society, he said, was in complete accord with the spirit of the following resolution, which had been passed by the Council of the Institute of Chartered Accountants, and with which the Council of the Society had been invited to associate itself:—

Where a change of auditors of a company is proposed it shall be the duty of any member of the Institute before accepting nomination for election to communicate with the existing auditors with a view to ascertaining the circumstances in which a change of auditors is proposed.

The resolution, said Mr. Holman, represented the procedure generally adopted by members of the Society, and he stressed the desire of the Council that in this, as in every other direction, the members of the Society should observe the usual courtesy of the profession, not only between themselves but also between themselves and other members of the profession; but the Council was of opinion that it would be detrimental to the profession if the obligations of courtesy and etiquette were so closely crystallised and defined as to appear to interfere with the statutory right of appointment of auditors by the members of the company concerned.

In a reference to national finance the President said that national economy had shown a remarkable degree of resiliency and capacity to bear increased burdens, but it was imperative that the willingness of the individual to meet national need should not be dissipated by the fear of wasteful administration. The training of professional accountants taught them that the time when income was expanding was particularly a time when expenditure must be rigidly scrutinised to ensure that funds available should be administered with the utmost economy and efficiency, and these principles were no less applicable to public affairs than to industry. It would be dangerous, he said, to assume that the expansion of revenue could go on indefinitely, because taxation at its present level depleted the profits available for capital replacement.

The dangers of uneconomic spending had also to be borne in mind in connection with the budgets of local authorities, which showed a tendency to keep pace with the expansion of national outlay, and he wanted to suggest to these authorities that abnormal times like the present demanded not only economy in actual spending but a wise restraint from spending. National economy, he said, would be best served at the present time by the conservation of local resources until the stimulus of re-armament had passed.

Apart from the remarks of Mr. James Stewart, which have already been referred to, the discussion which followed the President's address calls for no special comment. The observations of the various speakers were mainly of a complimentary character, and the report and accounts were adopted with unanimity.

## IS A MORTGAGE A DEBENTURE ?

WHETHER or not a mortgage created by a company is a debenture for the purposes of the Companies Act, 1929, was the point at issue in the recent case of *Knightsbridge Estates Trust Limited v. Byrne and Others*, the problem arising in the following manner:

A company had mortgaged lands and buildings to secure a substantial advance, and had agreed expressly in the mortgage instrument that the debt with interest should be repaid by eighty half-yearly instalments, each instalment to be partly a payment in respect of interest and partly a repayment of capital.

After the mortgage had been in existence for some seven years the company desired to redeem; but the mortgagees refused to accept payment. The mortgagees maintained that under the terms of the mortgage instrument the company could not redeem except by means of the instalment payments spread over a period of forty years and the Court ruled subsequently that this was a correct construction of the instrument. The company, however, urged that notwithstanding this they were entitled to redeem immediately because the clause in the debenture instrument restricting their right to redeem was void, being a clog upon the equity of redemption.

It is, of course, a well established principle of equity that the terms of a mortgage instrument may not clog the equity of redemption, and that any term imposing such a clog is void and of no effect; but section 74 of the Companies Act, 1929, provides specifically that "any rule of equity to the contrary notwithstanding," a clause in a debenture or in any deed for securing an issue of debentures shall be valid even though it makes the debentures irredeemable or postpones the date of redemption until the happening of a remote contingency or the expiration of a long period. In other words, the ancient rule of equity which renders void, in the case of a mortgage, a clog upon the equity of redemption does not apply to a debenture issued by a registered company. It followed, therefore, that if the mortgage created by the *Knightsbridge Estates Trust Limited* was a debenture, the mortgagees had an answer to the company's plea that the clause restricting their right to redeem was void under the rule of equity; and that is why the Court had to decide whether or not the mortgage was a debenture.

Authorities are agreed that there is no precise legal definition of the word "debenture"; but

in the commercial world the term usually signifies a security given by a company under its common seal. It is not necessary, however, that a charge be created by the instrument, nor that the instrument be sealed, for an unsealed document called "an income stock certificate" was held to be a debenture in *Lemon v. Austin Friars Investment Trust* (1926).

The Companies Act does not contain a definition of the term. Section 380, which is known as the definition section, merely states that for the purposes of the Act the word "Debenture" includes debenture stock, bonds and any other securities of a company whether constituting a charge on the assets of the company or not.

In the *Knightsbridge* case it has been held by Mr. Justice Luxmoore that an ordinary mortgage created by a company is not a debenture for the purposes of the Companies Act, and that section 74 of that Act does not, therefore, render valid a clause which in equity would be void as a clog upon the equity of redemption; though the learned Judge's reasons for this ruling are not entirely clear. Perhaps the deciding factor was the nature of the mode of transfer requisite in this case. Debentures may be payable either to bearer or to registered holder; and in the latter case the mode of transfer prescribed by the debenture instrument is usually similar to that employed in transferring shares. A debt secured by ordinary mortgage, on the other hand, is usually payable to the mortgagee named in the mortgage instrument; and if this mortgagee wishes to transfer his right to repayment under the mortgage together with his security, an assignment by deed is necessary. Where such an assignment is essential and there is no contract under which the company covenants to pay the debt secured either to the bearer of a bearer instrument or to the person registered in a book kept by the company as the holder of a debenture, it is suggested that there is an ordinary mortgage which, for the purposes of the Companies Act, is not a debenture. Any clause in such a mortgage which may clog the equity of redemption is not, therefore, saved from avoidance by section 74 of the Companies Act; but under the rule of equity will fail to take effect.

### Contributory Pensions.

Revised regulations have been issued in connection with Widows', Orphans' and Old Age Contributory Pensions (Voluntary Contributors) Act, 1937. Appended to these regulations is a form of application for entry into insurance containing a number of questions requiring to be answered by an applicant.

## Society of Incorporated Accountants and Auditors.

### COUNCIL MEETINGS.

Meetings of the Council were held on May 17th, when there were present:—Mr. Walter Holman (President) in the chair, Mr. Percy Toothill (Vice-President), Mr. F. J. Alban, Mr. C. P. Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Henry J. Burgess, Mr. D. E. Campbell, Mr. Tom Coombs, Mr. R. T. Dunlop, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. Alexander Hannah, Sir Thomas Keens, D.L., Mr. Edmund Lund, Mr. Henry Morgan, Mr. Bertram Nelson, Mr. James Paterson, Mr. Joseph Turner, Mr. A. H. Walkey, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary), and Mr. L. T. Little (Deputy Secretary).

Apologies for non-attendance were received from Mr. W. Norman Bubb, Mr. Arthur Collins, Mr. W. Allison Davies, Mr. C. Hewetson Nelson, Mr. F. A. Prior and Mr. Fred Woolley.

DEATH OF SIR STEPHEN KILLIK, G.B.E., K.C.V.O., F.S.A.A.

Before proceeding with the business of the meeting the President referred to the regretted death of Sir Stephen Killik. The Council adopted the following resolution by rising in their seats:—

That the President and Council of the Society of Incorporated Accountants request the family of the late Sir Stephen Killik, G.B.E., K.C.V.O., Fellow, to accept the sympathy of the Society in the loss they have sustained through the death of Sir Stephen, and the Council record their sense of his devotion to the Society and their appreciation of his valued contribution to the public life of the City of London.

### INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND.

The President referred to the forthcoming celebrations of the fiftieth anniversary of the Institute of Chartered Accountants in Ireland and the following resolution was passed and ordered to be forwarded to that Institute:—

The Council of the Society of Incorporated Accountants send their congratulations to the President, Council and members of the Institute of Chartered Accountants in Ireland upon the celebration of the fiftieth anniversary of its foundation, and are mindful of the friendly relations between that Institute and the Society's Council in Ireland who have worked in harmony for the progress of the accountancy profession. The Council of the Society send their best wishes to the Institute for continued prosperity.

### INCORPORATED ACCOUNTANTS' CONFERENCE, NOTTINGHAM, 1939.

The Council received from the Incorporated Accountants' District Society of Nottingham, Derby and Lincolnshire, an invitation for a Conference to be held in Nottingham in July, 1939. A resolution was adopted thanking the Nottingham District Society for the invitation, which was accepted.

### GOLD MEDALS, 1937.

The President handed to Mr. L. J. D. Jones, A.S.A.A., who had been invited to the Council meeting, the Gold Medal which had been awarded to him in respect of the examinations held in 1937. The President conveyed to

Mr. Jones the congratulations and good wishes of the Council, which he asked might also be sent to Mr. J. S. D. Dey, Johannesburg, who was awarded a Gold Medal, Mr. Dey being bracketed with Mr. Jones at the Final Examination in November, 1937.

#### RESIGNATIONS.

The following resignations were accepted with regret as from the dates indicated:—December 31st, 1937, Mr. John Mackie (Fellow), Dublin. December 31st, 1938, Mr. Joseph Edwin Holmes (Fellow), Ashford, Kent; Miss Minnie Emily Moore (Fellow), London.

#### DEATHS.

The Secretary reported the death of each of the following members:—Mr. Hartley Barrett (Associate), Colne; Mr. David Cox (Associate), Birmingham; Mr. Martin Pennington Ferneyhough (Fellow), Stoke-on-Trent; Sir Stephen Henry Molyneux Killik, G.B.E., K.C.V.O. (Fellow and Honorary Member), London; Mr. Cyril Stanley Mace (Fellow), Slough; Mr. Harold Heaton Nettleton (Associate), Leeds; Mr. William Price (Fellow), London; Mr. Kailashnath Jagannath Purohit (Fellow), Calcutta.

At a second meeting of the Council held after the annual general meeting, the following resolutions were unanimously adopted:—

#### ELECTION OF PRESIDENT.

Upon the motion of Mr. Henry Morgan, seconded by Mr. E. Cassleton Elliott, it was resolved unanimously that Mr. Walter Holman, London, be re-elected President of the Society for the ensuing year. Mr. Walter Holman acknowledged his re-election.

#### ELECTION OF VICE-PRESIDENT.

Upon the motion of Mr. Walter Holman, seconded by Mr. J. Paterson Brodie, it was resolved unanimously that Mr. Percy Toothill be re-elected Vice-President of the Society for the ensuing year. Mr. Percy Toothill thanked the Council for his re-election.

#### APPOINTMENT OF COMMITTEES.

The following Committees were elected and each Committee elected its Chairman and Vice-Chairman, as indicated hereunder:—

**Disciplinary Committee** (elected by ballot).—Mr. Henry Morgan (Chairman), Mr. R. Wilson Bartlett (Vice-Chairman), The President, The Vice-President, Mr. H. J. Burgess, Mr. Arthur Collins, Mr. E. Cassleton Elliott, Sir Thomas Keens, Mr. R. T. Warwick, and Mr. Richard A. Witty.

**Finance and General Purposes Committee**.—Mr. C. Hewetson Nelson (Chairman), Mr. E. Cassleton Elliott (Vice-Chairman), The President, The Vice-President, Mr. F. J. Alban, Mr. R. Wilson Bartlett, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Sir Thomas Keens, Mr. Henry Morgan, Mr. R. T. Warwick, Mr. Richard A. Witty, and Mr. Fred Woolley.

**Examination and Membership Committee**.—Mr. Henry Morgan (Chairman), Mr. Richard A. Witty (Vice-Chairman), The President, The Vice-President, Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. W. Norman Bubb, Mr. Henry J. Burgess, Mr. W. Allison Davies, Mr. E. Cassleton Elliott, Mr. M. J. Faulks, Mr. Alexander Hannah, Mr. Bertram Nelson, Mr. C. Hewetson Nelson, Mr. James Paterson, Mr. F. A. Prior, Mr. R. T. Warwick, and Mr. Fred Woolley.

**Parliamentary Committee**.—Sir Thomas Keens (Chairman), Mr. F. J. Alban (Vice-Chairman), The President, The Vice-President, Mr. A. Stuart Allen, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Arthur Collins, Mr. R. T. Dunlop, Mr. E. Cassleton Elliott, Mr. Alexander Hannah, Mr. Henry Morgan, Mr. C. Hewetson Nelson, and Mr. Richard A. Witty.

**Articles and Bye-Laws Committee**.—Mr. R. T. Warwick (Chairman), The President, The Vice-President, Mr. D. E. Campbell, Mr. Tom Coombs, Mr. W. Allison Davies, Mr. M. J. Faulks, Mr. Bertram Nelson, Mr. F. A. Prior, and Mr. Joseph Turner.

**District Societies Committee**.—Sir Thomas Keens (Chairman), The President, The Vice-President, Mr. F. J. Alban, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. D. E. Campbell, Mr. Tom Coombs, Mr. W. Allison Davies, Mr. Edmund Lund, Mr. Richard A. Witty, and Mr. Fred Woolley.

**Examiners**.—Mr. William Henry Coates, Ph.D., LL.B., B.Sc. (Economics); Mr. Lewis Roussez Connor, M.Sc. (Economics); Mr. Charles Hewetson Nelson, J.P., F.S.A.A.; Mr. William Norman Bubb, F.S.A.A.; Mr. Richard Alfred Witty, F.S.A.A.; Mr. Edward Baldry, F.S.A.A.; Mr. Roland Burrows, K.C.; Mr. Ernest Eric Edwards, M.A., LL.B., Barrister-at-Law; Mr. Charles B. Milne, K.C.; Mr. Denis Pringle, B.A., LL.B., Barrister-at-Law; and Mr. Leslie Richard Pears, Ph.D., M.A., M.Sc.

### CONFERENCE OF REPRESENTATIVES OF BRANCHES AND DISTRICT SOCIETIES.

A conference of representatives of Branches and District Societies with members of the Council was held at Incorporated Accountants' Hall on Wednesday, May 18th, when Mr. Walter Holman, President of the Society, presided, and was supported by the Vice-President, Mr. Percy Toothill. The following were present:—

Mr. F. J. Alban, C.B.E., Mr. E. Baldry, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, J.P., Mr. Donald H. Bates, Mr. H. J. Bicker, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. H. S. Bull, Mr. Henry J. Burgess, C.C., Mr. R. M. Chapman, Mr. H. E. Colesworthy, Mr. Arthur Collins, Mr. O. W. Coope, Mr. Ivor Davies, Mr. C. M. Dolby, Mr. T. W. Dresser, Mr. R. T. Dunlop, Mr. J. C. Fay, Mr. W. H. Fox, Mr. G. M. Griffith, Mr. C. L. Hamer, Mr. A. Hannah, Mr. D. V. Hayden, Mr. M. W. Hustwick, Mr. A. J. Johnson, Mr. H. O. Johnson, Mr. W. Keith, Mr. A. B. Kitchen, Mr. G. R. Lawson, Mr. E. C. Lowe (Johannesburg), Mr. E. Lund, M.B.E., Mr. A. Macdonald, Mr. W. T. Manning, Mr. Henry Morgan, Mr. S. T. Morris, Mr. Bertram Nelson, Mr. H. S. Parkin, Mr. P. D. Pascho, Mr. James Paterson, Mr. S. G. Peach, Mr. Halvor Piggott, Mr. J. J. Potter, Mr. J. W. Richardson, Mr. A. Schofield, Mr. J. Scott-Moore, Mr. J. T. Singleton, Mr. O. H. S. Sleightholme, Mr. H. J. Smith, Mr. J. Spoors, Mr. C. T. Stephens, Mr. James Stewart (Johannesburg), Mr. J. Turner, Mr. S. I. Wallis, Mr. Percy H. Walker, Mr. A. H. Walkey, Mr. John Wareing, Mr. R. T. Warwick, Mr. Richard A. Witty, Mr. A. A. Garrett (Secretary), Mr. L. T. Little (Deputy Secretary).

Among the matters discussed were questions relating to income tax and to the conduct of public practice. Consideration was also given to the constitution of the Committees of District Societies and to the subject of professional education. Methods of increasing the effectiveness of the Appointments Bureau were considered.

The Conference was followed by a luncheon, at which the representatives of the District Societies were entertained. The toast of "The President" was proposed by Mr. James Stewart, the immediate past Chairman of the Society's South African (Northern) Committee in Johannesburg, and Mr. Walter Holman, President of the Society, replied.

## **Society of Incorporated Accountants and Auditors.**

### **South African (Western) Branch.**

#### **ANNUAL MEETING.**

The twelfth annual meeting of the South African (Western) Branch of the Society of Incorporated Accountants was held at Cape Town on April 12th.

The Chairman, Mr. C. D. Gibson, in moving the adoption of the accounts of the Branch, said that the financial position was very satisfactory. The surplus for the year was £56, compared with a deficit for the previous year of £18. The accumulated fund amounted to £650.

It was with regret that he had to record the loss to the Society of an old and valued member, the late Mr. E. R. Syfret.

The number of members now totalled 119. Eleven Associates were admitted during the year and the net loss on transfer of members was four. There were three registrations of articles.

At the examinations held in May and November there were 13 passes and 25 failures in the Final and 5 passes and 6 failures in the Intermediate.

In February, 1938, a meeting of the Advisory Council was held in Durban, and the Western Branch was represented by the Chairman and the Secretary. A discussion took place on the proposed legislative measures to secure registration of accountants. Members could rest assured that the Committee was keeping a watchful eye on their interests. He urged those members who had not already done so to join one of the South African Societies.

A donation of twenty guineas had been voted to the Benevolent Fund and Mr. Gibson appealed to members to give this fund their personal support.

Mr. K. C. M. Hands seconded the adoption of the accounts, which was agreed to.

Mr. H. J. Notcutt was re-elected Auditor for the ensuing year on the proposal of Mr. G. Hadfield, seconded by Mr. P. L. Close.

As no other nominations had been received within the period allowed by the Society's bye-laws, the Chairman declared that Mr. A. C. Sargeant, Mr. G. Hadfield and Mr. C. D. Gibson were duly re-elected members of the Committee.

A vote of thanks was accorded to the Chairman on the motion of Mr. G. Hadfield.

## **Society of Incorporated Accountants and Auditors.**

#### **MEMBERSHIP.**

The following promotions in and additions to the membership of the Society have been completed since our last issue:—

#### **ASSOCIATES TO FELLOWS.**

BACK, WILLIAM JOHN (W. Morgan, Back & Co.), 34 and 36, Gresham Street, London, E.C.2, Practising Accountant.

CRONE, GEORGE ROWLAND (Hilton, Sharp & Clarke), 4, Pavilion Buildings, Brighton, Practising Accountant.

BOALER, ALAN (Boaler & Flint), 5, Regent Street, Park Row, Nottingham, Practising Accountant.

FLINT, FRANK WALTER (Boaler & Flint), 5, Regent Street, Park Row, Nottingham, Practising Accountant.

HORSEFALL, HARRY CLIFFORD (Cassleton Elliott & Co.), Jos, Nigeria, Practising Accountant.

#### **ASSOCIATES.**

ADE, EDWIN CLIFFORD THACKWRAY, formerly with Deloitte, Plender, Griffiths, Annan & Co., Salisbury, Rhodesia.

BARBER, ALEC HERBERT, with Shaw, Peterken & Co., 17 to 18, Basinghall Street, London, E.C.2.

BROOKS, EDWARD HUTCHINSON, formerly with Whitehead & Howarth, Montauban Chambers, St. Annes-on-the-Sea.

CHADWICK, RONALD GRIFFITHS, with Thomson, McLintock & Co., 5, St. Phillips Place, Birmingham.

CLARKE, MAXWELL PHILLIPS, with H. W. West & Co., Bank House, 618, Romford Road, London, E.12.

EASTON, EDWIN CURRIE, with Roberts, Allsworth, Cooper Bros. & Co., Stanley House, Commissioner Street, Johannesburg.

EMMETT, DAVID ALBERT, with Levy & Co., 106, Adderley Street, Cape Town, South Africa.

FLEMING, MARGARET, with Savage, Beresford & Co., 9, Idol Lane, Eastcheap, London, E.C.3.

GRANECK, DAVID, with R. Duncan French & Co., 17, North John Street, Liverpool, 8.

GRIFFIN, STANLEY JORDAN, with Hatfield, Dixon & Co., 37, Walbrook, London, E.C.4.

HARRISON, ERNEST CECIL, with A. Hannah, 51, North John Street, Liverpool, 2.

HUNTER, RONALD EDWARD ANDERSON, with Deane & Thresher, Grad's Buildings, Reitz Street, Kroonstad.

JONES, GEORGE BARRETT, with Sidney H. Buckland & Son, Moorgate House, 38, Belle Vue Street, Swansea.

JOUBERT, RENE MORTIMER, with J. S. Delbridge, 148, St. George's Street, Cape Town.

MANNING, EDWARD ATKINSON, with Windle & Bowker, Midland Bank Chambers, Barnoldswick.

MATTHEWS, WILLIAM RONALD, with J. Wallace Williams & Co., 5, St. Andrew's Crescent, Cardiff.

PURSELL, BERTRAM JOHN, formerly with Harper, Kent & Wheeler, Old Bank Buildings, Bellstone, Shrewsbury.

THOMPSON, JAMES PETER MAURICE, with Maurice Thompson & Co., Victoria House, Southampton Row, London, W.C.1.

VEITCH, LESLIE, with Street, Brown & Co., 33, Blackfriars Street, Manchester, 3.

# The Society of Incorporated Accountants and Auditors.

## ANNUAL GENERAL MEETING.

The fifty-third Annual General Meeting of the Society of Incorporated Accountants and Auditors was held at Incorporated Accountants' Hall on May 17th. The PRESIDENT (Mr. Walter Holman) occupied the chair, and was supported by Mr. Percy Toothill (Vice-President) and the following members :

Sir Thomas Keens, Mr. Henry Morgan, Mr. E. Cassleton Elliott, and Mr. R. Wilson Bartlett (Past Presidents); Mr. F. J. Alban, C.B.E., Mr. C. Percival Barrowcliff, Mr. R. M. Branson, Mr. J. Paterson Brodie, Mr. Henry J. Burgess, Mr. D. E. Campbell, Mr. Tom Coombs, Mr. Robert T. Dunlop, Mr. M. J. Faulks, M.A., Mr. Alexander Hannah, Mr. Edmund Lund, M.B.E., Mr. W. Bertram Nelson, Mr. James Paterson, Mr. Joseph Turner, Mr. A. H. Walkey, Mr. R. T. Warwick, and Mr. Richard A. Witty (Members of the Council); Mr. W. J. Back, Mr. H. Baldwin, Mr. R. N. Barnett, Mr. Donald H. Bates, Mr. W. H. Blount, Mr. C. W. Braddy, Mr. F. Sewell Bray, Mr. E. T. Brown, Mr. H. S. Bull, Mr. Hubert Cashman, Mr. R. M. Chapman, Mr. Oswald Coope, Mr. Ivor Davies, Mr. Reginald Davis, Mr. Charles M. Dolby, Mr. T. W. Dresser, Mr. C. A. Goldthorp, Mr. D. F. Goode, Major E. S. Goulding, Mr. G. M. Griffiths, Mr. C. S. Hamer, Mr. Gordon Hawley, Mr. Donald V. Hayden, Mr. W. Hayhurst, Mr. R. E. Heath, Mr. W. J. Holman, Mr. Arthur H. Hughes, Mr. A. V. Hussey, Mr. Maurice W. Hustwick, Mr. W. J. Jackson, Mr. F. Martin Jenkins, Mr. Harry C. King, Mr. H. Kingston, Mr. A. B. Kitchen, Miss S. G. Lange, Mr. George R. Lawson, Mr. H. J. Lester, Mr. R. T. Little, Mr. F. J. Lock, Mr. Ernest Long, Mr. F. J. B. Lovell, Mr. Alexander Macdonald, Mr. D. Mahony, Mr. W. H. Morgan, Mr. A. E. Mullis, Mr. H. S. Parkin, Mr. G. O. Parsons, Mr. P. D. Pascho, Mr. W. Paynter, Mr. W. A. Pearman, Mr. Halvor Piggott, Mr. L. H. F. Pinhorn, Mr. Eric Portlock, Mr. G. Roby Pridie, Mr. H. Rainsbury, Mr. Ivor P. G. Ray, Mr. Sidney H. Robb, Mr. F. A. Roberts, Mr. Arthur Schofield, Mr. H. Basil Sheasby, Mr. Henry Smith, Mr. George W. Spencer, Mr. John E. Spoor, Mr. Owen Stallwood, Mr. C. T. Stephens, Mr. J. Stewart, Mr. William Strachan, Mr. C. L. Townend, Mr. Percy H. Walker, Mr. Stanley I. Wallis, Mr. John Wareing, Mr. C. W. Wildy; also Mr. A. A. Garrett, M.B.E., M.A. (Secretary), and Mr. L. T. Little, B.Sc.(Econ.) (Deputy Secretary).

The notice convening the meeting and the auditors' report on the accounts having been read, the President, who was received with applause, proceeded to deliver his address.

### President's Address.

The PRESIDENT said : The work of the Society during the past year is summarised in the fifty-third annual report, but I want to supplement that report by referring to one or two matters not dealt with therein and by amplifying others which call for special emphasis.

#### THE LATE SIR STEPHEN KILLIK.

During the past month the Society has suffered a heavy loss by the passing of Sir Stephen Killik. Acknowledgments of his great public services have already been made in many quarters, and I desire on your behalf to pay tribute to him as a member of the

Society. He qualified in 1895, and although his business career was mainly spent outside the profession he throughout maintained his interest in the Society, and he lost no opportunity of acknowledging his indebtedness to his early training in accountancy. His membership of the Society was always active, and he regularly attended the annual meetings; for five years he was President of the London Students' Society, and he continued in that office even while he was Lord Mayor of London. In paying this tribute to his memory I am glad to recall his appreciation of an earlier tribute when the honorary membership of the Society was conferred on him.

#### EXAMINATIONS AND MEMBERSHIP.

In view of the severity of the examination tests imposed by the Society, evidence of which is contained in the summary of past results given in the report, the steady growth in membership is satisfactory. We now have 7,216 members, of whom 1,507 are Fellows, and the fact that there is again an upward tendency in the registrations of new articled clerks is encouraging for the future of the Society and indicates the continued popularity of accountancy as a career.

The report contains full particulars of the principal public activities of the Society during the year, and time will not permit of my doing more than repeating our grateful acknowledgments for the hospitality extended to the Society and its representatives in Belfast, in France, in the United States of America, in Canada, and in the many cities and towns in Great Britain and Eire which the President and his colleagues on the Council have had the privilege of visiting. I want, however, to refer to two coming events.

#### REFRESHER COURSE AT OXFORD UNIVERSITY.

The next refresher course is to be held at New College, Oxford, in July. Full particulars have already been sent to all members, and I appeal to the senior members to do what may be necessary to enable their younger partners and qualified assistants to take advantage of this valuable educational facility.

#### INTERNATIONAL CONGRESS, BERLIN, 1938.

The Society has accepted the kind invitation of the accountancy profession in Germany to the Fifth International Congress on Accounting to be held in Berlin in September next. In response to the organising Committee's request, members of the Society will submit national papers on "The Audit of Annual Accounts" and "Other Auditing and Advisory Work." Mr. E. Cassleton Elliott will contribute the latter, and Mr. Richard A. Witty the former; while Mr. A. Stuart Allen is preparing a general paper on Taxation, which will summarise all the national papers submitted on that subject. The programme of the Congress foreshadows an interesting and instruc-

tive time for those who are able to accept the invitation to attend.

#### LEGISLATION.

Some of the most important work which the Council carries out on behalf of its members is of the routine and unspectacular type which does not provide material for an annual report. Many requests and suggestions are received from members, and are carefully considered; all public and private Bills submitted to Parliament are examined; careful watch is kept on public notices and advertisements, and in all cases where called for appropriate action is taken to protect and support the interests of Incorporated Accountants. I am glad to say that such action is nowadays of a far less controversial character than was the case some years ago.

At the request of the Hops Reorganisation Commission which was appointed to consider the working of the quota system, a Memorandum was prepared and submitted to that Commission. The Commission's report has recently been published.

The need for revision of company law is being increasingly recognised, and the Society's Committee on this matter is collecting information in order that we may be prepared to give evidence when the time arrives. The co-operation of all members is desired, and the Committee will welcome communications on the subject.

#### SOUTH AFRICA.

The position of the Society in South Africa has caused us particular concern during the past year because of the introduction in the South African Parliament of a Bill for the registration of the accountancy profession. We have been and are still working in close collaboration with our Committees in the Union of South Africa in order that the position of our members and articled clerks there may be safeguarded in any legislation which may be passed. My reference to South Africa would be incomplete if I did not draw particular attention to the fact that a gold medal has been awarded to Mr. J. S. D. Dey, a candidate at the Final examination held in Johannesburg last November. (Applause.) We are privileged to have with us today Mr. James Stewart, a member of the Society in South Africa, who last year was Chairman of the Society's Committee in Johannesburg.

#### PROFESSIONAL ETIQUETTE.

During the past year the Institute of Chartered Accountants had under consideration the question of the relations of its members to one another and to other professional accountants with particular reference to the procedure to be adopted in cases of changes of company auditors, and as a result its Council passed the following resolution:—

"Where a change of auditors of a company is proposed it shall be the duty of any member of the Institute before accepting nomination for election to communicate with the existing auditors with a view to ascertaining the circumstances in which a change of auditors is proposed."

An invitation was extended to our Council to associate itself with this action and to co-operate in

obtaining from all our members compliance with the terms of this resolution.

The Council of the Society is in complete accord with the spirit of that resolution, which in its view represents the procedure generally adopted by members of the Society, and I cannot too strongly stress the desire of the Council that in this, as in every other direction, our members shall observe the usual courtesy of the profession, not only between themselves but also between themselves and other members of the profession.

If confirmation is required of the Society's desire and determination to maintain the highest standards of professional conduct among its members, it can be found in that part of the annual report recording the action taken by the Council against some of the members of the Society on the recommendation of the Disciplinary Committee, and I emphasise this because I am anxious to prevent misunderstanding of the Society's attitude towards the resolution passed by the Institute Council.

Section 132 of the Companies Act, 1929, sets out the procedure to be adopted when a change of auditors is intended, namely, that when a person has been duly nominated for election as auditor in place of the existing auditor, the company must immediately send a copy of such nomination to the existing auditor and also give notice thereof to the members. These statutory requirements concern primarily the members and executives of companies, because no action is legally called for either by the retiring auditor or the auditor nominated to replace him, but in actual practice both of them are likely to know of the change contemplated and courtesy as well as etiquette demands such action as is laid down in the Institute resolution.

But the same section of the Companies Act also provides that, except in certain exceptional and specified circumstances, an auditor shall be appointed annually by the members of a company. My Council is of opinion that it would be detrimental to the profession if the obligations of courtesy and etiquette were so closely crystallised and defined as to appear to interfere with the statutory right of the appointment of auditors by members. In the light of all these considerations, I have been asked by my colleagues to make our views known to the members in my Presidential speech, and in this way to further the purpose which we share with the Institute. (Applause.)

#### ACCOUNTS.

I do not propose to enlarge on the accounts. They speak for themselves, and I think I may fairly claim that they reflect careful expenditure with due regard for economy, and that the balance sheet discloses a position of considerable strength.

#### NATIONAL FINANCE.

Any review of the past year, either from a professional or a national standpoint, would be incomplete without reference to the subject of taxation. The imposition of the National Defence Contribution, the recent increase in the standard rate of income tax, and the proposals for dealing with tax evasion, have all served to focus public attention on the growing expenditure of the country in many directions.

The fact that a very large proportion of that expenditure is being met out of taxation is a tribute to the financial strength of our democratic institutions, and the fact that the national economy has shown a remarkable degree of resiliency and capacity to bear increased burdens is a tribute to the willingness of the individual to forego personal advantage to meet national need. It is that traditional spirit of willingness to pay which is the main source of our financial strength, and it is imperative that that spirit shall not be dissipated by fear that the funds derived from the community are being wastefully administered. I want, therefore, to review public expenditure from an accountancy point of view.

As professional accountants, our training and our whole experience teach us the necessity for economy in administration and the adoption of conservative methods of finance, and we know that the time when receipts are expanding is particularly the time when expenditure must be rigidly scrutinised to ensure that funds available shall be administered with the utmost economy and efficiency. These same principles are no less applicable to public affairs than to industry. The fact that increasing expenditure has so far been accompanied by expanding revenue may reasonably be attributed in the main to the application of sound accountancy principles to industry, for it must not be forgotten that industry is the sole source of revenue. But it would be dangerous to assume that such expansion of revenue can go on indefinitely, because taxation at its present level depletes the profits available for capital replacement.

In industry, extravagant and wasteful expenditure may be brought to light through its effect on trading results, but there is no such automatic check on the misuse of public funds; waste merely increases the burden of unproductive outlay which is one of the inevitable features of the re-armament programme. I quote the following example of what I have in mind because it has come to my personal notice. A factory for munitions is being erected on an entirely new site in an agricultural area, involving the extension of the necessary transport and public services, and the transfer of labour; the clearance and use of one of the many sites of derelict works in the near neighbourhood would not only have reduced the cost enormously, but would also have caused the minimum of dislocation, and would have assisted materially one of the distressed areas.

But the dangers of uneconomic spending are not limited to the national aspect. The budgets of local authorities show a marked tendency to keep step with the expansion of national outlay. It has been our pride that our financial stability has rested on the same basis of balanced budgets by all responsible authorities throughout the land, and the few exceptions have only served to add force to this admirable rule. This conservatism in public finance which has served us so well in the past seems to me in these days to be in grave danger of widespread abrogation and the policy of cheap and abundant credit provides ready encouragement.

I want to suggest that these abnormal times demand not only economy in actual spending, but a

wise restraint from spending on the part of local authorities. It is illogical and harmful to supplement abnormal but necessary national expenditure by heavy expenditure on local services, however attractive and desirable they may be. The national economy will best be served at the present stage by the conservation of local resources for use in well-considered schemes of improvement and development when the stimulus of re-armament is past. Such a policy would prevent the effects of the wave of national spending from being aggravated by a rising tide of local outlay, and would minimise the evils which result when the public spending departments and private enterprise compete for the services of industry and trade.

I now have to move "That the report of the Council and the accounts for the year 1937 be adopted," and I will ask the Vice-President, Mr. Percy Toothill, of Sheffield, to second it. (Applause).

Mr. PERCY TOOTHILL formally seconded the motion.

#### Discussion.

Mr. C. L. HAMER (Middlesbrough) said there were two small points as to which he would like some information. On pages 4 and 5 details were given of the membership, but he was sorry that he could not check up the figures. They started with 6,908 at the end of 1936 and had 392 new members and they deducted 50 who had died. He made that 7,250 and not 7,216. Could the President tell him what had happened to the other 34? Then on page 11 reference was made to certain actions of the Disciplinary Committee and there was one matter about which, if it were possible, he would like some more information—that was the censure of a member for unsatisfactory conduct in dealing with the conversion of a client's business into a private limited company. He was feeling that perhaps some of them who did a good deal of that sort of work might be erring in a similar manner.

Mr. H. B. SHEASBY (London) said that in examining the report and accounts and listening to the speech of the President he felt a sense of gratification that there was something really worth while in the work of the Society during the past twelve months. The President had given them a most illuminating address. It had not only ranged over the work of the Society itself but it touched on that thorny problem of change of auditors and on the question of national and local finance. Turning to the report there were two subjects upon which a word or two might be said. First of all, concerning the Research Committee, Mr. W. Bertram Nelson and himself were responsible for the accounts which appeared every month in the *Incorporated Accountants' Journal*. They knew that those accounts were not perfect; there were a number of points upon which they felt they would like enlightenment, but the criticisms they had had were very few. To those who had taken the trouble to write to Mr. Little (the Secretary of the Incorporated Accountants' Research Committee) and offer criticisms they were grateful; but there must be many others who, when they glanced through those published model accounts, felt that they did not agree with this or with that and left it at that. He wished to take that opportunity of asking members for their criticisms. With regard to the book, the very admirable book, published by Mr. Back and Mr. Barnett, they received a certain amount of criticism but not all that they desired. Then with regard to the Refresher Course at Oxford, might he ask everybody who could be present to attend it. It was a matter of very deep regret to himself that he could not attend this year, for he had very pleasant memories of interesting, useful and instructive times spent at such courses. It was well worth while getting away from the office for a few days to snatch a breath of fresh air and gain a little knowledge of accountancy. As far as the accounts were concerned, the position was excellent, and it must be a matter of

satisfaction to all of them to know that their share in the surplus at the present moment was £7 15s. 2½d. per member. (Laughter.) Regarding Company Law reform, there were many points with which he could deal, but he did not want to take up the time of the meeting. There was, for instance, that absurdity in connection with the election of an auditor—the Act said you must have an auditor and yet provided for no penalty if you did not have one.

MR. JAMES STEWART (Johannesburg) said he would like to say first of all that it gave him very great pleasure indeed to be there that day and to listen to the President's admirable address on the affairs of the Society. He brought them greetings from their members in South Africa who now numbered well over 400, and he could assure them that, as time went on, the members in South Africa became prouder every day of belonging to a Society such as theirs. The President had mentioned in his address the question of legislation in South Africa, and it might not be out of place if he (Mr. Stewart) made one or two remarks concerning that subject. By the Act of Union of South Africa, in 1910, four Provinces had separate legislatures and in two of them Acts had been passed whereby no one could practise as an accountant unless he was registered. So that they had in South Africa to-day two Provinces in which it was compulsory to be on the Register before one could practise, and in two Provinces the Societies were conducted on a voluntary basis. The result of that mix-up had been agitations from time to time to effect a change, particularly from those who were not on the registers. Consequently the Government some years ago appointed a Commission to inquire into the matter, and the Commission recommended that a compulsory register should be opened for the profession in South Africa. Legislation with that in view, as the President had said, was now before Parliament in South Africa, but when it would be translated into law it was very difficult to say, because legislation of that character was usually shelved while there were more pressing problems to deal with. From their experience of compulsory registration, going back 34 years, they had found it very difficult in practice. By adopting compulsory registration they were taking away the power from the Society and placing it in the hands of the Government, with the result that they had found other bodies springing up from time to time, calling themselves accountants, using all sorts of levers to try and get the legislation amended so that they might be recognised as equivalent to any other body. Although they thought in 1904, when the Transvaal Act was passed, that that settled the matter once and for all, that they then knew who could practise and who could not, the very opposite had been the case, because those who were left out had started various schemes in order to get on the register. He was inclined to think that the same sort of thing would happen here. If legislation of that kind were contemplated in England, they should be very wary of it, because the main point was that they immediately took the power out of the hands of the Council and placed it in the hands of the Government.

MR. D. MAHONY (London) said he would like to congratulate the President on a very successful year of office. But he was not there merely to throw bouquets at the President; he had come to call attention to one or two points that he thought might be of interest to the profession generally. At a recent meeting of another professional body—not a body of accountants—a discussion took place as to how that particular body could keep certain of its members in order, and it was suggested that a very good way would be to have a compulsory audit of the members by an accountancy body whose report would be submitted to their own Council. Immediately there came the question, What is an accountancy body? And as no one was able to define it, the project fell through. Passing to another point that might or might not be closely allied to that, he heard it said some little time ago that a careful watch was being taken of all people claiming to belong to the accountancy profession, but it seemed that no attempt was being made to protect the professional accountant. A solicitor's clerk was being

prosecuted a short time ago for forgery. He was described in all the newspapers as an accountant, he was convicted and sent to prison as an accountant, and not a single word of protest came from any professional body of accountants whether Chartered, Incorporated—or otherwise. The annual meeting was the only opportunity that a private member had of discussing what might be called the politics of the profession, and one of course had to be very careful in discussing politics—they were usually, and he thought rightly so, settled by the Council. But there were some aspects that one could deal with, and the main aspect was the expansion of the profession. He had noticed when supervising examinations this year, that there seemed to be more candidates for the Final examination than ever before, and the thought occurred to him. What was to become of all these young men when they were qualified? When they put up brass plates and started practice for themselves, were they going to find that next door or in the office above, there was one of those people who advertised as income tax recovery agents, or were they going to find that the banks were doing executorial work, or were they going to find that insolvency work was being taken out of their hands by other people? At one time it was thought that registration was going to be the solution for all those difficulties, but that now seemed to be put on the shelf for a number of years. Another way out of the difficulty it seemed to him would be to educate the public mind in some way as to the value of dealing with a professional man who was subject to discipline and who could be removed if he were not fit to be a member. In that way the public Press could help them a great deal, but he noticed that some of their President's best efforts were merely given a paragraph in *The Times* or perhaps in the *Financial Times*, and no more was heard of them. The public knew nothing whatever about the advantages of going to a qualified accountant rather than to a man who advertised as an income tax recovery agent. There was one subject to which he would like to draw special attention. The President had mentioned that the Council were giving close attention to the Companies Act. He (Mr. Mahony) would suggest that they should also give very close attention to the Deeds of Arrangement Act, for never was a more scandalous piece of legislation put on the Statute Book. The abuses were so numerous that he would not attempt to detail them. He had written to the Board of Trade pointing them out, he had mentioned them three or four times at annual meetings in that hall, and he had even delivered a lecture about them, but no one seemed to take the slightest notice. He hoped that next year the President of the Society would be able to say that they were also considering the Deeds of Arrangement Act.

MR. H. S. BULL (Plymouth) said he merely rose to support the motion before the meeting, and he would like to add, without any appearance of flattery, that he thought the President's address was excellent and adequate in every respect. It marked the end of a year of office during which Mr. Holman had discharged his duties with distinction. (Applause.)

THE PRESIDENT said that as they were holding the Annual Meeting of the Benevolent Fund at 3.30, he would reply only very briefly to the points which had been raised. For the benefit of Mr. Hamer, he would amplify the figures given in the Annual Report. The number of members at December 31st, 1936, was 6,908 and they had added 392 new members, making a total of 7,300; they had lost during the year by death 50 members, by resignation 22, and 12 had ceased to be members under the Articles. That left a net total of 7,216. In regard to the disciplinary case to which Mr. Hamer referred, he thought Mr. Hamer would agree that it would be quite unwise and unsuitable if particulars of such a case were given. Mr. Sheasby had invited interest from the members in the work of the Research Committee, in the work of Company Law Reform, and on behalf of the University Course at Oxford, and he (the President) was very grateful to him for amplifying the desire of the Council for the increased interest of the members in all those directions.

It was particularly useful to have had from Mr. Stewart, of Johannesburg, a view of registration in working in South Africa. Mr. Mahony was not quite accurate in one of his statements. There had not as yet been any official statement made on the subject of the compulsory audit of solicitors' accounts to which he understood Mr. Mahony's remarks referred. He (the President) had endeavoured, in speaking throughout the country, to emphasise the particular excellencies for which the Society stood and had tried to educate the public in the direction in which they wished their favours to go. That, he thought, was as near as they could go in the way of advertising. Mr. Bull had made some very kind remarks for which he was grateful.

The motion for the adoption of the Report of the Council and the Accounts was then put to the meeting and carried unanimously.

Mr. HENRY MORGAN (London) said it gave him much pleasure to move:—

"That the following members of the Council who retire in accordance with the provisions of Article 49, be re-elected: London: Mr. William Norman Bubb, Mr. Henry John Burgess, C.C., Mr. Major James Faulks, M.A. Provinces: Mr. Frederick John Alban, C.B.E., Mr. Charles Percival Barrowcliff, Sir Thomas Keens, D.L., Mr. Edmund Lund, M.B.E., Mr. Percy Toothill, Mr. Arthur Herbert Walkey."

Although he could and would like to say a great deal upon the services which were rendered by those members of the Council to the Society, he knew that in that meeting it was quite unnecessary for him to do so.

Mr. R. WILSON BARTLETT, J.P. (Newport, Mon.), formally seconded the resolution, which was put to the meeting and carried unanimously.

Mr. W. A. PEARMAN (London) moved the following resolution:—

"That Mr. Arthur Henry Hughes, Incorporated Accountant (Messrs. Hughes & Allen), London, and Mr. Percy Henry Walker, Incorporated Accountant (Messrs. Percy H. Walker & Co.), Cardiff, be re-elected Auditors of the Society at a remuneration of thirty guineas each, Mr. Walker's travelling expenses to be paid in addition."

Mr. MAHONY formally seconded the resolution, which was carried unanimously.

Mr. A. H. HUGHES (London) returned thanks for his re-appointment and that of Mr. Percy Walker.

Sir THOMAS KEENS, D.L. (Luton and London), said he rose for the purpose of moving a most cordial vote of thanks to the President for his work during the past year and for his conduct of the meeting that day. He could say a great deal but as the time was limited his remarks would necessarily be few. He would like to say, however, that any gentleman who gave up his time to be the President of their Society found himself in a position which necessitated making great sacrifices from the professional point of view. Not only were there numerous committee meetings to attend as well as meetings all over the country in connection with the various District Societies, but attendance was involved at a large number of functions of other learned societies, City Livery Companies, &c., and a certain amount of speech making. During the past year Mr. Holman had not only served the Society in London but he had rendered signal service to it in Belfast and in America. He (Sir Thomas) was not at Belfast, but he was in America and attended various functions there although not in any official capacity. He could assure the members of the Society, if they wanted any such assurance, that the interests of the Society were honourably maintained in Mr. Holman's hands. They were, in fact, kept very well to the fore. For his services during the past year Mr. Holman had earned their thanks, and he felt perfectly certain that the meeting would be unanimous in extending those thanks to him.

The vote of thanks was carried by acclamation.

The PRESIDENT in reply said he was deeply grateful to Sir Thomas Keens for the very kind words with which he had referred to him personally, and he was also grateful to those present for the cordiality with which they had received the vote of thanks. The Council was responsible for all decisions of the Society and the permanent staff were responsible for carrying them into effect. The President was the mouthpiece of the Council and he was also the mouthpiece of the members. Therefore he was qualified—and he did it most gladly—to pass on the vote of thanks to those to whom it really belonged—to his colleagues on the Council and to his friends on the permanent staff, who most richly deserved it.

### 53rd ANNUAL REPORT.

The Council has pleasure in submitting to the members its fifty-third annual report and the accounts of the Society for the year 1937.

#### CORONATION OF THEIR MAJESTIES KING GEORGE VI AND QUEEN ELIZABETH.

A Loyal Address in the following terms was submitted to Their Majesties King George VI and Queen Elizabeth on behalf of the Society on the occasion of Their Coronation:

"TO THE KING'S MOST EXCELLENT MAJESTY AND TO HER MAJESTY QUEEN ELIZABETH.

"May it please Your Majesties to receive the loyal and dutiful felicitations of the Society of Incorporated Accountants upon the occasion of Your Coronation, and their respectful hope and earnest wish that Your Majesties may long be spared to reign over Your Majesties' subjects, in peace, happiness and contentment."

At the command of His Majesty the King, the Earl Marshal was directed to invite Mr. R. Wilson Bartlett, J.P. (President of the Society of Incorporated Accountants), to be present at the Coronation of Their Majesties on May 12th, 1937, and Mr. Wilson Bartlett had the honour of attending at Westminster Abbey.

Official seats were allotted to members of the Council to view the Coronation Procession.

Incorporated Accountants' Hall was flood-lighted during the period of the Celebrations.

#### NEW MEMBERS AND ASSOCIATES ADVANCED TO FELLOWS.

During the year 1937, 392 new members were admitted to the Society, and 47 Associates were advanced to Fellowship, as follows:—

NEW MEMBERS.		Associates.
England and Wales .. .. .	327	
Scotland .. .. .	6	
Ireland .. .. .	9	
India .. .. .	3	
South Africa .. .. .	43	
Egypt .. .. .	2	
Germany .. .. .	1	
New Zealand .. .. .	1	
<b>Total .. .. .</b>	<b>392</b>	

#### ASSOCIATES ADVANCED TO FELLOWSHIP.

England and Wales .. .. .	39
Ireland .. .. .	2
India .. .. .	2
South Africa .. .. .	2
France .. .. .	1
Straits Settlements .. .. .	1
<b>Total .. .. .</b>	<b>47</b>

The figures for the past three years are :—

	1935.	1936.	1937.
New Members .. .. .	379	357	392
Associates advanced to Fellows .. .. .	45	50	47

#### TOTAL MEMBERSHIP.

The total number of members on December 31st, 1937, was 7,216, and consisted of 1,507 Fellows, 5,706 Associates and three Honorary Members: one Fellow held rank as an Honorary Member.

The figures for the past three years are :—

	1935.	1936.	1937.
Fellows .. .. .	1,481	1,487	1,507
Associates .. .. .	5,180	5,418	5,706
Hon. Members .. .. .	3	3	3
	6,664	6,908	7,216

#### OBITUARY.

During the year 1937 notification of the deaths of 50 members (22 Fellows and 28 Associates) was received with regret.

#### PRESIDENT AND VICE-PRESIDENT.

After the annual general meeting of the Society held in May, 1937, Mr. Walter Holman, F.S.A.A., London, and Mr. Percy Toothill, F.S.A.A., Sheffield, were elected President and Vice-President respectively.

#### EXAMINATIONS.

The number of candidates at the Preliminary, Intermediate and Final Examinations was 1,841, of whom 863 passed and 978 failed.

The following are the comparative figures for the past three years :—

Year	FINAL			INTERMEDIATE			PRELIMINARY		
	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed	No. of Candidates	Passed	Failed
1935	795	45%	55%	992	48%	52%	222	61%	39%
1936	753	49%	51%	927	49%	51%	237	47%	53%
1937	780	45%	55%	796	45%	55%	265	58%	42%
Total	2,328	1,079 46%	1,249 54%	2,715	1,287 47%	1,428 53%	724	400 55%	324 45%

#### PRIZES AND HONOURS CERTIFICATES.

Prizes and Honours Certificates were awarded to the following candidates :—

##### FINAL EXAMINATION.

##### 1st Certificates of Merit.

Margetts, John William, London (Prize)	May, 1937
Dey, James Scott Davidson, Johannesburg (Prize)	November, 1937
Jones, Leonard John Dennis, Luton (Prize)	November, 1937

##### 2nd Certificates of Merit.

Fendick, Douglas Rowing, London (Prize)	May, 1937
Page, Brian John Graham, Great Yarmouth (Prize)	November, 1937

##### 3rd Certificates of Merit.

Cusk, Fred, London	May, 1937
Sugden, Gilbert, Nottingham	November, 1937

##### 4th Certificates of Merit.

Masters, William Frederick, London	May, 1937
Barb, Alec Herbert, London	November, 1937

##### 5th Certificate of Merit.

Russell, Frank Bernard, Douglas (I.O.M.)	May, 1937
------------------------------------------	-----------

#### INTERMEDIATE EXAMINATION.

##### 1st Place Certificates.

Moody, Arthur, Ashton-in-Makerfield (Prize)	May, 1937
Stapleton, Percy Leonard, London (Prize)	November, 1937

##### 2nd Place Certificates.

Morris, Gordon Alec James, London	May, 1937
Gilbert, Arthur Ernest, Newport (Mon.) (Prize)	November, 1937

##### 3rd Place Certificates.

Parker, William John, London	May, 1937
Kellett, Brian Pinder, Liverpool	November, 1937

##### 4th Place Certificates.

Lees, Frederick William, Manchester	May, 1937
Wixon, William Alfred, London	November, 1937

##### 5th Place Certificates.

Kent, Arthur William, Manchester	May, 1937
Forester, Thomas Geoffrey, London	November, 1937

##### 6th Place Certificate.

Barrett, William Bulecock, London	May, 1937
-----------------------------------	-----------

##### 7th Place Certificate.

Watt, Francis Albert, London	May, 1937
------------------------------	-----------

#### PRELIMINARY EXAMINATION.

##### 1st Place Certificates.

Hartman, Frederick Hector David, Mold (Prize)	May, 1937
-----------------------------------------------	-----------

\*Spink, Harry, Nelson November, 1937

\* Disqualified for prize by age limit.

##### 2nd Place Certificate.

Whitehead, Leonard Raymond, Manchester (Prize)	November, 1937
------------------------------------------------	----------------

##### 3rd Place Certificate.

Goldman, Hyman Jacob, Glasgow	November, 1937
-------------------------------	----------------

#### GOLD MEDALS.

Gold Medals for the 1937 Examinations were awarded to Mr. James Scott Davidson Dey, Johannesburg, and Mr. Leonard John Dennis Jones, Luton, who were bracketed First in order of Merit in the Final Examination in November, 1937.

#### SIR JAMES MARTIN MEMORIAL EXHIBITION.

The following award of the Sir James Martin Memorial Exhibition was made in respect of the Intermediate Examination held in May, 1937 :—

Mr. Francis Albert Watt, Articled Clerk to Mr. J. Paxton Clarkson, F.S.A.A., London.

#### INCORPORATED ACCOUNTANTS' CONFERENCE, BELFAST, 1937.

By invitation of the Incorporated Accountants' Belfast and District Society a Conference of Incorporated Accountants was held at Belfast from June 23rd to 26th, 1937.

The Right Hon. the Lord Mayor of Belfast (Sir Crawford McCullagh, Bart, D.L., J.P.) welcomed the delegates at the opening meeting, when the chair was occupied by the Vice-Chancellor of the Queen's University (Mr. F. W. Ogilvie, M.A.). Mr. Walter Holman delivered the Presidential Address, and papers were contributed by Mr. D. Tilford Boyd, B.(Com.)Sc., F.S.A.A., Belfast, on "Accountancy in Relation to Irish Industry and Commerce," and by Mr. Fred Woolley, J.P., F.S.A.A., Southampton, on "The Structure of Limited Liability Companies."

The members of the Conference were invited to a garden party at Parliament Buildings, Stormont, by the Government of Northern Ireland, and were received by the Prime Minister, the Right Hon. the Viscount Craigavon, D.L., M.P., and the Viscountess Craigavon. The Right Hon. the Lord Mayor and the Lady Mayoress of Belfast entertained the members at a civic reception in the City Hall. The Belfast Harbour Commissioners arranged special facilities to enable members to inspect Belfast Harbour.

At the Conference dinner, at which the President of the Society was in the chair, the Prime Minister of Northern Ireland, the Right Hon. the Viscount Craigavon, D.L., M.P., and the Right Hon. the Lord Mayor of Belfast, were among the distinguished guests, who were representative of the public, civic and commercial life of Belfast.

The Council adopted resolutions of thanks for the official entertainment afforded to the Conference, and expressed the appreciation of the Society to the President (Mr. J. S. White) and the members of the Incorporated Accountants' Belfast and District Society, and to the President (Mr. A. H. Walkey) and the members of the Society's Irish Branch for the arrangements made and for the hospitality extended to the visitors.

#### AMERICAN INSTITUTE OF ACCOUNTANTS

On the occasion of the fiftieth anniversary of the foundation of the American Institute of Accountants, the Council forwarded a resolution of congratulation from the Society of Incorporated Accountants to that body. The resolution referred to the contribution made by the American Institute to the development of the accountancy profession as a whole, particularly in the United States of America, and to the friendly relations between the American Institute and the Society of Incorporated Accountants.

In response to an invitation from the American Institute, the Society was represented at the celebrations held in New York in October, 1937, by Mr. Walter Holman (President), Mr. C. Hewetson Nelson, J.P. (Past President), Mr. Henry Morgan (Past President), and Mr. A. A. Garrett, M.B.E. (Secretary), who were the official delegates, and by Sir Thomas Keens, D.L., who was a private guest.

The Council has sent its acknowledgments to Colonel Robert H. Montgomery, President of the American Institute, and to Mr. P. W. R. Glover, F.S.A.A., the Chairman of the Reception Committee, for the generous hospitality extended to the Society's representatives.

#### BRITISH DOMINIONS.

The Council acknowledges with thanks the communications in relation to the profession received during the past year from the Committees of the Society and from individual members in the British Dominions, India, the Crown Colonies and other countries.

Upon his retirement from the South African Northern Committee, Johannesburg, Mr. Alexander Aiken, LL.D., F.S.A.A., received the formal thanks of the Council for his sustained interest in the Society's policy in South Africa since he became an original member of the Committee, established in the Transvaal in 1902.

The Council regrets to have received intimation of the death of Mr. D. P. C. Blair, F.S.A.A., who had been the Secretary of the Society's South African (Northern) Branch, Johannesburg, for 27 years, and the Council records its appreciation of his work. Mr. R. B. Hogg, M.C., F.S.A.A., has been appointed Secretary in succession to the late Mr. D. P. C. Blair.

The Institute of Chartered Accountants of Ontario and the Society of Chartered Accountants of the Province of Quebec entertained representatives of the Accountancy Profession from Great Britain at functions in Toronto and Montreal respectively, in October, 1937. Among the visitors was Mr. Walter Holman, President of the Society, who was also cordially received by the Society's Canadian Committee, with whom he conferred.

Mr. Henry Barber, J.P., F.S.A.A., Toronto, recently retired from that Committee, of which he had been a member since its inception. The thanks of the Council have been conveyed to Mr. Barber for his services. The Society's Canadian Committee is now constituted as

follows: Mr. A. F. C. Ross, F.S.A.A., Chairman, Montreal; Mr. G. T. Clarkson, F.S.A.A., Toronto; Mr. K. A. Mapp, A.S.A.A., Toronto; Mr. W. J. Saunders, F.S.A.A., Toronto; with Mr. Alexander Archibald, A.S.A.A., Montreal, Secretary.

#### INTERNATIONAL CONGRESS ON ACCOUNTING, 1938.

An invitation has been received from the Accountancy Profession in Germany to participate in the Fifth International Congress on Accounting to be held in Berlin in September, 1938. This invitation has been accepted by the Society.

#### ACCOUNTANCY PROFESSION IN FRANCE.

The President of the Society visited Paris in September, 1937, as a guest of the Committee which organised *La Semaine de la Comptabilité*, and was also entertained by the Committee of the British and American Accountants in Paris.

#### NATIONAL DEFENCE CONTRIBUTION.

The Society published a pamphlet on the National Defence Contribution as brought into force by the Finance Act, 1937. The Council is indebted to the authors, Mr. A. Stuart Allen, F.S.A.A., and Mr. W. Bertram Nelson, F.S.A.A., who prepared the pamphlet at its request.

#### FIFTIETH ANNIVERSARY OF THE SHEFFIELD DISTRICT SOCIETY.

To celebrate the fiftieth anniversary of the Sheffield District Society, a series of functions was held in Sheffield in September, 1937. These included a reception in the Town Hall by the Right Worshipful the Lord Mayor of Sheffield (Councillor Mrs. A. E. Longden, J.P.) and the Lady Mayoress, and a dinner given by the District Society, at which the principal guests were the Lord Mayor and the Lady Mayoress of Sheffield, Mr. Herwald Ramsbotham, O.B.E., M.P., Minister of Pensions, the Vice-Chancellor of Sheffield University, the Master Cutler, the President of the Society and the Vice-President (Mr. Percy Toothill, formerly Hon. Secretary of the District Society).

#### DISTRICT SOCIETIES.

The educational work of the District Societies has been developed by the enlargement of the Panel of Lecturers. The Council has been in constant touch with the Committees of the District Societies, who have received the President, the Vice-President and members of the Council at their respective annual dinners and upon other occasions.

#### INCORPORATED ACCOUNTANTS' COURSE, OXFORD, 1938.

By kind permission of the Warden and Fellows of New College, Oxford, a course for Incorporated Accountants will be held at the College from July 13th to July 17th, 1938. The course offers special educational facilities to members who have qualified in recent years and the Council invites their support.

#### RESEARCH COMMITTEE.

The Incorporated Accountants' Research Committee has continued its activities in co-operation with Committees formed by District Societies. Particular attention has been given to the Design of Accounts, and a series of specimen forms of accounts is being published in *The Incorporated Accountants' Journal*. Comments and criticisms on these accounts have been invited and received from members of the profession and others. A booklet on "Standard Practice in Auditing" has been published.

#### DISCIPLINARY COMMITTEE.

In accordance with the provisions of Article 32, the Disciplinary Committee censured a member for unsatisfactory conduct in dealing with the conversion of a client's business into a private limited company.

Upon investigation of three separate cases, in which there had been failure to file accounts with the Board of Trade in compliance with the Deeds of Arrangement Act, 1914, the Disciplinary Committee suspended for a period each of the members concerned.

Following a report by the Disciplinary Committee, the Council excluded an Associate from membership of the Society for dishonourable conduct, in accordance with the provisions of Articles 34 and 35.

#### EXAMINERS.

Sir Josiah Stamp, G.C.B., G.B.E., D.Sc., who became an Examiner to the Society in Economics and Statistics when these subjects were added to the Syllabus in 1919, resigned the appointment owing to pressure of other engagements. The Council accepted the resignation with much regret, and expressed to Sir Josiah the appreciation and thanks of the Society for his valuable services.

Mr. W. H. Coates, Ph.D., LL.B., B.Sc.(Econ.), was appointed Senior Examiner in Economics and Statistics, and Mr. L. R. Connor, M.Sc.(Econ.), Barrister-at-Law, Junior Examiner.

Upon his election as President of the Society, Mr. Walter Holman, F.S.A.A., resigned his position as an Examiner. The vacancy was filled by the appointment of Mr. Edward Baldry, F.S.A.A.

#### COUNCIL.

The following members of the Council retire under the provisions of Article 49, and, being eligible, offer themselves for re-election:—

*London:* Mr. William Norman Bubb.  
Mr. Henry John Burgess, C.C.  
Mr. Major James Faulks, M.A.  
*Provinces:* Mr. Frederick John Alban, C.B.E.  
Mr. Charles Percival Barrowcliff.  
Sir Thomas Keens, D.L.  
Mr. Edmund Lund, M.B.E.  
Mr. Percy Toothill.  
Mr. Arthur Herbert Walkey.

#### AUDITORS.

Mr. Arthur Henry Hughes, Incorporated Accountant, London, and Mr. Percy Henry Walker, Incorporated Accountant, Cardiff, are the retiring Auditors, and offer themselves for re-election.

#### ACCOUNTS.

The audited accounts of the Society for 1937 are annexed to this Report.

There have been charged to "Expenses of Examinations and Prizes" in the Revenue Account certain indirect expenses hitherto included under other headings. The comparative figures for 1936 have been similarly adjusted.

WALTER HOLMAN,

*President.*

PERCY TOOTHILL,

*Vice-President.*

ALEXANDER A. GARRETT,

*Secretary.*

Incorporated Accountants' Hall,  
London, W.C.2.

March 22nd, 1938.

Dr.

#### REVENUE ACCOUNT FOR THE YEAR ENDED DECEMBER 31ST, 1937.

Cr.

EXPENDITURE		£	s.	d.	£	s.	d.
To Salaries and Pension Fund Contribution					5,127	7	7
„ Rates .. .. .		797	17	3			
„ Insurances .. .. .		140	8	6			
„ Housekeeping, Lighting and Telephone ..		919	11	3			
					1,857	17	0
„ Travelling Expenses .. .. .		910	17	4			
„ Stationery and Printing, including Year Book .. .. .		2,336	1	5			
„ Postages and Telegrams .. .. .		277	15	2			
„ Legal and Parliamentary Expenses .. .. .		246	11	5			
„ Advertisements .. .. .		690	7	11			
„ Subscriptions to Chambers of Commerce ..		94	12	0			
„ Auditors' Fees and Expenses .. .. .		68	5	0			
„ Miscellaneous Expenses .. .. .		1,065	6	3			
„ Decorations and Repairs .. .. .		291	17	4			
					5,881	13	10
„ Expenses of Examinations and Prizes ..					5,322	10	0
„ Grants to Branches and District Societies ..					4,975	11	7
„ Additions to Library .. .. .					151	13	10
„ Depreciation of Furniture and Fittings ..					224	6	7
„ Coronation Expenses .. .. .					202	5	1
„ Belfast Conference .. .. .					245	19	3
„ American Institute Jubilee .. .. .					740	0	0
„ Debenture Interest (Gross) .. .. .					2,375	0	0
„ Reserve for Redemption of Debentures:— Annual Instalment and Interest ..					1,735	12	7
„ Balance, being surplus of Income over Expenditure for the year .. .. .					3,457	5	11
					£32,297	3	3

		INCOME.		£ s. d.		£ s. d.	
By Subscriptions	..	..	..	..	..	19,758	18 0
„ Entrance Fees —							
47 Fellows	..	..	..	..	..	246	15 0
392 Associates	..	..	..	..	..	4,116	0 0
						4,362	15 0
„ Examination Fees	..	..	..	..	..	6,029	2 0
„ Dividends on Investments and Bank Interest (Gross)	..					439	1 5
„ Sundry Fees	..	..	..	..	..	401	5 10
„ Hire of Rooms	..	..	..	..	..	456	1 0
„ Contribution from London and District Society for Secretarial and Office Expenses	..	..			..	550	0 0
„ Contribution from Incorporated Accountants' Journal towards Office Expenses	..	..			..	300	0 0

£32,297

3 3

## BALANCE SHEET AS AT DECEMBER 31ST, 1937.

# LIABILITIES.

	£	s.	d.	£	s.	d.
5 per cent. Mortgage Debentures .. ..				45,000	0	0
Sundry Creditors .. ..				5,316	11	1
Subscriptions and Fees received in advance .. ..				1,179	12	2
Reserve for Debenture Redemption—						
Balance from 1936 .. ..	12,165	14	8			
Annual Instalment and Interest .. ..	1,735	12	7			
				13,901	7	3
Accumulated Fund—						
Balance at December 31st, 1936 .. ..	52,537	5	5			
Surplus for 1937 .. ..						
General Account .. ..	3,457	5	11			
Journal Account .. ..	2	13	1			
				55,997	4	5

WALTER HOLMAN,  
*President.*

C. HEWETSON NELSON,  
*Chairman of Finance Committee.*

March 22nd, 1938.

£121,394 14 11

# ASSETS.

	£	s.	d.	£	s.	d.
Freehold Property—Incorporated Accountants' Hall, at Cost, less amounts written off .. ..	100,000	0	0			
Furniture and Fittings at Cost, less amounts written off	3,719	15	9			
Library at Cost, less amounts written off .. ..	300	0	0			
Investments at Cost—						
£6,500 Os. Od. 4% Funding Stock, 1960-90 .. ..	£5,878	7	6			
£3,000 Os. Od. 3½% Conversion Stock .. ..	2,976	5	8			
(Market Value of Investments, December 31st, 1937, £10,403 15s. Od.) .. ..	8,854	13	2			
Gifts—						
£400 Os. Od. Society of Incorporated Accountants and Auditors 5% Mortgage Debentures .. ..	400	0	0			
Sundry Debtors and Dividends accrued .. ..	801	8	5			
Cash at Bank and in Hand .. ..	7,318	17	7			

£121,394 14 11

### AUDITORS' REPORT TO THE MEMBERS.

We report to the members that we have examined the foregoing Accounts together with the books of the Society and the vouchers relating thereto, and have verified the Investments and Cash Balances. We have obtained all the information and explanations we have required, and in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Society's affairs, according to the best of our information and the explanations given to us, and as shown by the books of the Society.

ARTHUR H. HUGHES, } Incorporated  
PERCY H. WALKER, } Accountants,  
Auditors.

LONDON, April 9th, 1938.

**Society of Incorporated Accountants  
in Ireland.**

## ANNUAL MEETING.

The thirty-fifth annual general meeting of the Irish Branch of the Society of Incorporated Accountants was held at Dublin on May 11th. The President, Mr. J. D. Thompson (Belfast), occupied the chair.

The report and accounts for the year ended March 31st, 1938, were presented to the meeting and were unanimously adopted.

The retiring members of the Council, Mr. D. Tillfound Boyd, Mr. J. A. Kinnear, Mr. A. J. Walkey and Mr. R. J. Kidney, were re-elected, as also was the Hon. Auditor, Mr. T. Condren Flinn, F.S.A.A., F.C.A.

A vote of thanks to the President terminated the proceedings.

At a Council meeting held subsequently, the following officers were elected for 1938-39: President, Mr. R. L. Reid, F.S.A.A. (Dublin); Vice-President, Mr. W. L. White, F.S.A.A. (Cork); Hon. Treasurer, Mr. A. H. Walkey, F.S.A.A. (Dublin), and Hon. Secretary, Mr. A. J. Walkey, F.S.A.A. (Dublin).

## Annual Report.

The Council presents to the members its thirty-fifth annual report for the year ended March 31st, 1938.

### MEMBERSHIP.

The total number of members in Ireland is now 202, consisting of 52 Fellows and 150 Associates. There is thus an increase of nine members compared with a year ago. The Student members now number 234.

## EXAMINATIONS.

The number of candidates who presented themselves for examination at the Dublin and Belfast Centres in May and November, 1937, was 99, the same number as in the previous year. The results were as follows :—

### STUDENTS' SECTIONS.

Seven Students' meetings were held in Dublin, and ten in Belfast. Lectures in Dublin were delivered by Mr. Ivor Davies, A.S.A., and Mr. C. L. Lawton, M.Sc., A.C.A., two of the lecturers who are on the panel appointed by the Parent Society.

Dances were held during the winter by the Dublin Students' Society at the Gresham Hotel on December 15th, 1937, and by the Belfast Students' Section at Belfast Castle on February 4th, 1938.

## ANNUAL DINNER.

The annual dinner of the Irish Branch took place in Dublin on January 22nd, 1938, Mr. J. D. Thompson presiding. The guests included the Lord Mayor of Dublin; Dr. W. E. Thrift (Provost of Trinity College, Dublin); and Mr. Walter Holman, President of the Society of Incorporated Accountants and Auditors.

## CONFERENCE.

The Conference of the Society of Incorporated Accountants and Auditors was held in Belfast from June 23rd to 26th, 1937. This was the second occasion on which a Conference of the Society has been held in Ireland, the previous one having taken place in Dublin in 1911. The meetings and social functions were fully supported by our members and their guests in the North of Ireland, and there was a very satisfactory representation of members and their friends from Great Britain and the Irish Free State. The Committee and members of the Belfast and District Society are to be congratulated on the outstanding success of this Conference.

**COUNCIL.**

The following members retire by rotation and, being eligible, offer themselves for re-election : Mr. D. Tilford Boyd, Mr. J. A. Kinnear, Mr. A. J. Walkey and Mr. R. J. Kidney.

			<b>Total.</b>	<b>Passed.</b>
<b>Final</b>	..	..	<b>25</b>	<b>10</b>
<b>Intermediate</b>	..	..	<b>54</b>	<b>18</b>
<b>Preliminary</b>	..	..	<b>20</b>	<b>10</b>
			<b>99</b>	<b>38</b>

## INCOME TAX DEDUCTION 1938-39.

The following circular has been issued by the Inland Revenue under date April 27th, 1938 :—

The Board of Inland Revenue desire to draw the attention of Bankers, Secretaries of Companies, Agents entrusted with the payment of Foreign or Colonial Dividends, Coupon Dealers and others to the following particulars with regard to adjustments falling to be made in consequence of the increase of the standard rate of Income Tax from 5s. in the £, the rate in force for the year 1937-38, to 5s. 6d. in the £ for the current year, 1938-39.

2. The general position is that by a Resolution of the House of Commons, passed in Committee of Ways and Means on April 26th, 1938, and having statutory effect under the Provisional Collection of Taxes Act, 1913, the standard rate of income tax imposed for the year commencing April 6th, 1938, is 5s. 6d. in the £. Accordingly income tax is deductible by reference to the rate of 5s. 6d. in the £ in respect of payments of dividends, interest, annuities, ground rents, mineral rents and royalties, copyright royalties to persons not resident in the United Kingdom, patent royalties, &c., made on or after April 6th, 1938, with the exception of

- (a) payments, made out of taxed sources, which became due before April 6th, 1938; and
- (b) certain payments in respect of lands and heritages in Scotland due for the period ending on May 15th, 1938.

3. As regards payments (other than those mentioned in (a) and (b) in the preceding paragraph) made on or after April 6th, 1938, from which tax has been deducted by reference to a rate less than 5s. 6d. in the £, the position is as follows :—

### Class I.

(a) Dividends and interest from the Public Funds, where payable under deduction of tax.

(b) Dividends and interest of Foreign or Colonial Government Securities or of Foreign or Colonial Companies, entrusted to an Agent in the United Kingdom for payment in the United Kingdom on or after April 6th, 1938, and also the like dividends or interest, which, although not entrusted to such an Agent for payment, have been realised on or after that date through Bankers, Coupon Dealers or other persons in the United Kingdom.

Bankers, Agents or other persons who have made payments falling within this class since April 5th, 1938, and have deducted tax by reference to a rate less than 5s. 6d. in the £ will be required to furnish to the Commissioners of Inland Revenue lists containing the names and addresses of the persons to whom the payments have been made and the amounts of such payments.

### Class II.

- (a) Ground rents, mineral rents and royalties, &c.
- (b) Interest, annuities, &c., other than payments falling within Class I above.
- (c) Preference dividends within the meaning of sub-sections. (2) and (4) of sect. 12 of the Finance Act, 1930. \*
- (d) Patent Royalties.
- (e) Copyright royalties payable to non-residents.

Where, before the passing of the Finance Act for the year, tax has been deducted from payments falling within this class by reference to a rate less than 5s. 6d. in the £, the payer is authorised under sect. 211 (2) of the Income Tax Act, 1918, to adjust the under-deduction by making a corresponding extra deduction from the next subsequent like payment made after the passing of the Finance Act. If there is no such further payment from which an adjusting deduction can be made, the payer is entitled to recover the amount under-deducted directly from the recipient of the payment from which the insufficient deduction was made.

### Class III.

Under this Class fall ordinary dividends, that is, dividends from which a deduction of tax may be made under Rule 20 of the General Rules, but which are not fixed rate preference dividends falling within Class II.

The Income Tax Acts do not authorise any subsequent adjustment in respect of under-deductions of tax from such payments, but provide (sub-sect. (3) of sect. 12 of the Finance Act, 1930) that "where on payment of a dividend (not being a preference dividend within the meaning of this section), income tax has, under Rule 20 of the General Rules, been deducted therefrom by reference to a standard rate of tax greater or less than the standard rate for the year in which the dividend became due, the net amount received shall, for all the purposes of the Income Tax Acts, be deemed to represent income of such an amount as would, after deduction of tax by reference to the standard rate last mentioned, be equal to the net amount received, and for the said purposes there shall in respect of that income be deemed to have been paid by deduction tax of such an amount as is equal to the amount of tax on that income computed by reference to the standard rate last mentioned."

Thus, in the case of an ordinary dividend of £58 paid on, say, April 15th, 1938, from which tax was deducted at the standard rate of 5s. in the £, the net amount received will have been £43 10s., and the shareholder will be deemed for the purpose of income tax (and surtax) to have received income amounting to £60 and to have suffered tax, by deduction, amounting to £16 10s. [£60 less £16 10s. (tax at 5s. 6d. in the £), leaving £43 10s., the net amount actually received]. If this dividend was received by a shareholder entitled to claim complete relief from income tax, he would be able to obtain repayment of £16 10s. (the tax which he is deemed to have suffered upon income amounting to £60). Similarly, if the shareholder is liable to surtax, the amount to be included in his statement of total income will be £60.

If further information, such as the Board may be in a position to furnish, is desired in particular cases, application should be made to this office.

\* The preference dividends to which sub-sect. (2) of sect. 12 of the Finance Act, 1930, relates are preference dividends from which a deduction of tax may be made under Rule 20 of the General Rules, the term "preference dividend" being defined by sub-sect. (4) as meaning—

- (a) a dividend payable on a preferred share at a fixed gross rate per cent.; or
- (b) where a dividend is payable on a preferred share partly at a fixed gross rate per cent. and partly at a variable rate, such part of that dividend as is payable at a fixed gross rate per cent.

The expression "share" in this definition includes stock.

## The Incorporated Accountants' Benevolent Fund.

### ANNUAL GENERAL MEETING.

The forty-fifth Annual General Meeting of subscribers and donors was held at Incorporated Accountants' Hall, on May 17th, when Mr. H. J. Burgess, the Chairman of the Trustees, occupied the chair in the absence of the President of the Fund, Mr. C. Hewetson Nelson, who was prevented from attending through temporary indisposition. There was a large attendance of subscribers.

Mr. BURGESS moved the adoption of the report and accounts for the 15 months ended December 31st, 1937, and read the following address, which had been prepared by Mr. Hewetson Nelson :

I am indebted for the opportunity of addressing subscribers to the Fund and other members of the Society on the same day as the Society's Annual General Meeting. You will agree that this alteration in the arrangements embodied in the rules last year is a very definite advantage from many points of view.

In view of the change in the date of the financial year the last accounts cover a period of fifteen months, and for comparison purposes these accounts must be regarded as covering a transitional period.

I would like to thank those who have generously responded to my appeal, whether by way of annual subscriptions, donations or life subscriptions.

The amount of a life subscription was increased to £10 10s. by a resolution of the subscribers in 1936, and I am glad to say that the first response of existing life subscribers to bring their amounts up to £10 10s. was satisfactory. Even allowing for the longer period, there was an increase in the revenue of the fund from contributions, but an exact comparison is not possible because the money is not received evenly throughout the period of fifteen months.

So far as the finance of a fund of this kind is concerned, the work of the Trustees calls for an income from investments upon which they can always rely, a steady flow of annual subscriptions, and some means of augmenting the accumulated surplus, not merely as a matter of financial prudence, but to have some insurance in relation to the unknown needs of the future. The total of the fund's capital resources now amounts to some £17,800, and from the point of view of investment income I should like to see that amount in a comparatively short time reach £20,000. But it is mainly to annual subscriptions that the Trustees look for their annual resources. The rules wisely limit the amount of grants to the income received in the previous year by investment income and annual subscriptions. I am certain that the best means of assisting the fund is for the number of subscribers continually to be increased, and I say with

emphasis that it is an obligation which rests upon every member of the Society. The Trustees have not attempted to vary the minimum subscription of 10s. 6d. in order to enlist the sympathy and practical support of a large number of non-practising members, but in regard to members in practice and more senior members it is hoped that the minimum amount may be regarded as £1 1s.

I am glad that the Trustees introduced the system of covenanted subscriptions as this has given the fund the advantage of tax recovery to the amount of some £60 per annum, and I hope that those who subscribe will be moved to execute covenants for this reason.

Although I do not take any active part in the management of the fund, the Trustees kindly invited me to one of their recent meetings. I was impressed with the great care with which they considered each case, and in every instance, where they are satisfied of the circumstances, they endeavour to give as much help as their resources permit. I was a little troubled, however, to feel that there were several cases where the Trustees would gladly have voted a larger amount had the income available for grants permitted them to do so, and I would mention that the amount expended in grants, namely, £1,637, was within £23 of the amount which the rules permit them to utilise for this purpose.

Particulars of cases have been set out in a slightly new form, and you will see that the largest proportion of grants is devoted to the education and support of children. From the information before the Trustees I can say that the money thus expended has proved an excellent investment and given much comfort. In other cases the Trustees have given timely aid to former members and their dependants who have been affected by uncontrollable adverse circumstances.

There is another side to the work of the fund which cannot well be demonstrated in an annual report. In many cases the Trustees and the Hon. Secretary are able to give personal advice in making the best of whatever income is available to those to whom the fund gives aid, and I am glad to say that considerable efforts are made by those concerned and their friends so that their calls upon the fund may be limited in duration, and this sets income free for others. Again I would say that the average amount expended per case is comparatively small, and I would assure my fellow members, both those who are subscribers and those who I hope will subscribe, of the encouragement which their liberality affords to the Trustees who give so much of their time to the work, and to whom I would express the obligations of all of us.

Mr. BURGESS said he wished to endorse all that was contained in Mr. Hewetson Nelson's address, and on his own behalf appealed for a larger measure of support to the fund.

The resolution for the adoption of the report and accounts was seconded by Mr. R. T. WARWICK, and unanimously adopted.

#### RE-ELECTION OF PRESIDENT AND TRUSTEES.

On the motion of Mr. E. CASSLETON ELLIOTT, Mr. C. Hewetson Nelson was re-elected President of the fund, and the following Trustees were re-elected on the motion of Mr. RICHARD A. WITTY: Mr. Henry J. Burgess, Mr. R. T. Warwick, Mr. W. Paynter, Mr. Percy Toothill and Mr. R. M. Branson.

#### RE-ELECTION OF VICE-PRESIDENTS.

The following were re-elected Vice-Presidents: Mr. E. L. Burton, Mr. Arthur Collins, Mr. A. A. Garrett, Sir Harry Hands, Mr. Alexander Hannah, Mr. A. E. Piggott, Mr. R. P. Phillips, Mr. E. W. C. Whittaker, Mr. W. Strachan and Mr. W. McIntosh Whyte.

Mr. W. Southwood Smith having been re-elected as Honorary Auditor, the proceedings terminated with a vote of thanks to the President of the Fund and to Mr. Burgess, the Chairman of the Trustees.

#### Report of the Trustees.

The Trustees have pleasure in presenting to subscribers and donors the report and accounts, which cover a period of fifteen months from October 1st, 1936, to December 31st, 1937.

In accordance with a resolution adopted at the annual general meeting held in November, 1936, the financial year of the Fund now ends on December 31st in each year. In future the report will cover a calendar year.

The total sum contributed (consisting of subscriptions, life subscriptions and donations) amounted to £1,594 8s. 6d. over the period of fifteen months, while the corresponding figure for the previous twelve months was £1,221 1s. 6d. A correct comparison of these figures is hardly possible as, apart from the difference in the periods, there is the fact that the greater amount of contributions is received in the early months of each calendar year. There are increases in the tax recovered on covenanted subscriptions and in dividends on investments. The income from investments reflects for the first time the full effect of the Sir James Martin Memorial Fund and the Edith Sendell Fund.

The grants made by the Trustees are shown in tabular form. The Trustees are impressed by the cases in which the Fund has given assistance. Many of those who have received grants have made laudable efforts under difficult circumstances to maintain themselves and those for whom they are responsible. To quote some typical instances, widows of members have carried on some occupation or business and at the same time have provided suitable education for their children with the help of the Fund, and, in one case, two children, who are orphans, were assisted through the joint efforts of the Fund and their grandparents.

The Trustees acknowledge the useful co-operation of the Royal Asylum of St. Ann's Society in regard to educational grants.

At the annual general meeting held in November, 1936, Mr. E. W. C. Whittaker (Southampton) and Mr. Arthur E. Piggott (Manchester), formerly Trustees, were elected Vice-Presidents of the Fund.

The expenses of the Fund have again been confined to the necessary outlays for printing and postage.

Dated this 11th day of April, 1938.

HENRY J. BURGESS  
R. T. WARWICK  
W. PAYNTER  
PERCY TOOTHILL  
R. M. BRANSON

Trustees.

A. A. GARRETT, *Hon. Secretary.*

	Number of Cases.	Total grants 1936-37.			Amount of previous grants in the same cases		
		£	s.	d.	£	s.	d.
(a) Education and support of children	19	660	1	8	2,148	16	8
(b) Members or former Members suffering from infirmity or straitened circumstances ..	15	433	15	0	1,321	15	0
(c) Widows and Dependants of Deceased Members ..	15	428	14	0	1,144	4	0
(d) Sundry Cases and Temporary Assistance .. ..	7	115	0	0	—		
	56	1,637	10	8	4,614	15	8

The geographical distribution of the cases dealt with is as follows:—

#### England and Wales:—

Birmingham	..	..	4
Bradford	..	..	1
Hull	..	..	1
Leicester	..	..	2
Liverpool	..	..	3
London	..	..	18
Manchester	..	..	3
Newcastle-upon-Tyne	..	..	2
North Lancashire	..	..	2
Nottingham	..	..	1
Sheffield	..	..	1
South of England	..	..	1
West of England	..	..	4
Yorkshire	..	..	2
Other places	..	..	7
Scotland	..	..	3
Ireland	..	..	1
Total	..	..	56

## THE INCORPORATED ACCOUNTANTS' BENEVOLENT FUND.

Dr. REVENUE ACCOUNT for the Fifteen Months ended 31st December, 1937. Cr.

	£	s.	d.		£	s.	d.
To Printing, Postages and Sundries ..	104	15	10	By Subscriptions ..	983	13	0
" Grants ..	1,637	10	8	" Refund of Tax on Covenanted Subscriptions ..	64	5	4
" Balance, being Surplus for the period carried to Balance Sheet ..	172	8	2	" Dividends on Investments (including Income Tax recovered) ..	866	16	4
	<u>£1,914</u>	<u>14</u>	<u>8</u>		<u>£1,914</u>	<u>14</u>	<u>8</u>

## BALANCE SHEET, 31st December, 1937.

LIABILITIES.				ASSETS.			
	£	s.	d.		£	s.	d.
Sundry Creditors ..	50	0	0	Cash at Bankers ..	29	8	5
Capital Account—				Investments at Cost—			
Balance at September 30th, 1936 ..	13,003	16	3	£9,400 3½ per cent. Conversion Stock ..	8,577	6	5
Add—				£1,150 4 per cent. Funding Loan, 1960-90 ..	959	1	5
Life Subscriptions ..	404	5	0	£2,200 4 per cent. Consolidated Stock ..	2,084	12	3
Donations ..	206	10	6	£500 India 3½ per cent. Stock ..	533	9	0
Revenue Account—				£800 Local Loans 3 per cent. Stock ..	748	14	0
Balance for 1937 ..	172	8	2	£200 London County 3 per cent. Consolidated Stock ..	171	16	0
	<u>13,786</u>	<u>19</u>	<u>11</u>	£204 0s. 10d. Commonwealth of Australia 3½ per cent. Registered Stock, 1950-52 ..	184	18	11
				£208 10s. New Zealand 4½ per cent. Stock, 1948-58 ..	200	16	0
				£300 London & North Eastern Railway 4 per cent. 1st Preference Stock ..	246	17	6
				£100 Society of Incorporated Accountants 5 per cent. Debentures (Gifts) ..	100	0	0
					<u>13,807</u>	<u>11</u>	<u>6</u>
Sir James Martin Memorial Fund ..	3,546	16	9	Sir James Martin Memorial Fund—			
Edith Sendell Fund ..	500	0	0	£1,000 3 per cent. Local Loans ..	965	14	6
	<u>£17,883</u>	<u>16</u>	<u>8</u>	£1,000 2½ per cent. Guaranteed Stock ..	862	12	0
				£1,500 2½ per cent. Consolidated Stock ..	1,265	15	6
				£545 16s. 4d. 2½ per cent. Annuities ..	452	14	9
					<u>3,546</u>	<u>16</u>	<u>9</u>
				Edith Sendell Fund—			
				£432 0s. 9d. 4 per cent. Consolidated Stock ..	500	0	0
				(Market value of all Securities at December 31st, 1937, £19,387 19s. 2d.)			
					<u>£17,883</u>	<u>16</u>	<u>8</u>

HENRY J. BURGESS, *Chairman of Trustees.*

I have examined the above accounts, together with the Books and Vouchers, and find the same to be correctly stated. I have also verified the securities of the Fund.

61, West Smithfield, London, E.C.  
19th April, 1938.

W. SOUTHWOOD SMITH,  
*Incorporated Accountant,  
Hon. Auditor.*

## INCORPORATED ACCOUNTANTS' RESEARCH COMMITTEE.

## The Design of Accounts.

## HOTEL ACCOUNTS.

The Incorporated Accountants' Research Committee have undertaken the task of preparing specimen forms of accounts for various businesses and industries. Some of these specimen forms have already appeared in the *Incorporated Accountants' Journal*, namely, the accounts of Boot and Shoe Manufacturers (October, 1937), Brickworks (November, 1937), Building and Estate Development (December, 1937), Cinemas and Dance Halls (January, 1938), Cotton Merchants (February, 1938), Engineers (March, 1938), Farms (April, 1938), and Garages (May, 1938). In April, 1937, specimen general forms of accounts were published, and in June, 1937, specimens of the accounts of Executors and Trustees.

Useful criticism and suggestions which have been received from readers on the forms of accounts already published will be carefully considered by the Research Committee. The accounts—which should not be regarded as model accounts but as bases for more definitive formulation—are published with an invitation to readers to submit their comments and criticism.

A design for Hotel accounts is set out below.

## TRADING ACCOUNT.

A.

I. COST OF PROVISIONS, &c., CONSUMED (adjusted for Stock):	A.			
	Total.	Hotel.	Restaurant and Grill Room.	Smoking Room and quieting.
Provisions .. .. .	..	..	..	..
Wines .. .. .	..	..	..	..
Spirits and Liqueurs .. .. .	..	..	..	..
Ales and Stouts .. .. .	..	..	..	..
Mineral Waters .. .. .	..	..	..	..
Cigars and Cigarettes .. .. .	..	..	..	..
Visitors' Laundry .. .. .	..	..	..	..
Valeting .. .. .	..	..	..	..
Telephone .. .. .	..	..	..	..
Newspapers, &c. .. .. .	..	..	..	..
I. RECEIPTS:				
Apartment .. .. .	..	..	..	..
Hire of Meeting Rooms .. .. .	..	..	..	..
Provisions .. .. .	..	..	..	..
Wines .. .. .	..	..	..	..
Spirits and Liqueurs .. .. .	..	..	..	..
Ales and Stouts .. .. .	..	..	..	..
Mineral Waters .. .. .	..	..	..	..
Cigars and Cigarettes .. .. .	..	..	..	..
Visitors' Laundry .. .. .	..	..	..	..
Valeting .. .. .	..	..	..	..
Fires in Apartments .. .. .	..	..	..	..
Telephone .. .. .	..	..	..	..
Newspapers, &c. .. .. .	..	..	..	..
Sundries, viz.: .. .. .	..	..	..	..

## II. GROSS PROFITS c/d % ON RECEIPTS:

Apartment .. .. .	..	..	..	..
Hire of Meeting Rooms .. .. .	..	..	..	..
Provisions .. .. .	..	..	..	..
Wines .. .. .	..	..	..	..
Spirits and Liqueurs .. .. .	..	..	..	..
Ales and Stouts .. .. .	..	..	..	..
Mineral Waters .. .. .	..	..	..	..
Cigars and Cigarettes .. .. .	..	..	..	..
Visitors' Laundry .. .. .	..	..	..	..
Valeting .. .. .	..	..	..	..
Fires in Apartments .. .. .	..	..	..	..
Telephone .. .. .	..	..	..	..
Newspapers, &c. .. .. .	..	..	..	..
Sundries, viz.: .. .. .	..	..	..	..

B.

B.			
	Total.	Hotel.	Restaurant Smoking and Room Grill and Ban- queting. Bars.
III. WAGES, including State Insurance (suitably sub-divided) e.g.:			
Waiters and Waitresses ..	—	—	—
Kitchen ..	—	—	—
Porters and Pages ..	—	—	—
Chambermaids ..	—	—	—
Valets ..	—	—	—
Reception and Telephone ..	—	—	—
Cleaners ..	—	—	—
IV. PREMISES : *			
Rent, Rates and Insurance ..	—	—	—
Lighting ..	—	—	—
Heating and Cooking ..	—	—	—
Water ..	—	—	—
Repairs and Renewals ..	—	—	—
Cleaning Materials ..	—	—	—
V. FURNISHINGS : *			
Plate and Cutlery ..	—	—	—
China and Glass ..	—	—	—
Linen ..	—	—	—
Furniture ..	—	—	—
Carpets ..	—	—	—
Laundry and Cleaning ..	—	—	—
VI. SUNDRIES : *			
Flowers and Plants ..	—	—	—
Orchestras and Cabarets ..	—	—	—
Licences and Compensation Levy ..	—	—	—
Printing of Special Menus, &c. ..	—	—	—
VII. BALANCES : Departmental Profits c/d ..	—	—	—

II. GROSS PROFIT b, d ..

III. SUNDRY RECEIPTS :

Advertising ..

Sales of Refuse ..

Corkage ..

Restaurant Smoking and Room Grill and Ban- queting. Bars.

Hotel.

Total.

\*If these charges are not separately ascertainable in respect of each Department, they should be included in the General Profit and Loss Account (C).

C.

## GENERAL PROFIT AND LOSS ACCOUNT.

## VIII. ADMINISTRATION :

## (a) Manager and Assistant

## Managers :

Salaries .. ..	—
Commission and	
Bonuses .. ..	—

## (b) Offices :

Salaries .. ..	—
Printing, Postages and	
Stationery .. ..	—
Telephone and Tele-	
grams .. ..	—
Sundries .. ..	—

## (c) Accountancy, Audit and Legal Charges

## (d) Directors' Fees

## IX. ADVERTISING .. ..

## X. FINANCE :

Bad Debts .. ..	—
Bank Interest .. ..	—

## XI. BALANCE : Net Profit ..

## IV. DEPARTMENTAL PROFITS

## b/d :

Hotel .. ..	—
Restaurant and Grill Room	—
Smoke Room and Bars ..	—
Banqueting .. ..	—

## V. BALANCE : NET LOSS .. ..

**Obituary.****HARTLEY BARRETT.**

We regret to announce that Mr. H. Barrett, A.S.A.A., died on April 12th, at the age of 63. Mr. Barrett had been engaged in municipal accountancy since 1896, when he entered the Borough Treasurer's Department at Nelson. He was Accountant to the Barnoldswick Urban District Council from 1911 to 1921, when he was appointed Borough Treasurer of Colne, Lancashire, a position which he held until the date of his death. He became a member of the Society of Incorporated Accountants in January, 1911, and was also a member of the Institute of Municipal Treasurers and Accountants.

**CRICHTON JAMES GLADWELL.**

We regret to learn of the death on May 21st of Mr. Crichton J. Gladwell, F.S.A.A., who had been a member of the Society of Incorporated Accountants since 1899. At that date he was in the service of Messrs. Price, Waterhouse & Co., but since 1906 he had carried on public practice in London.

**THOMAS GEOFFREY NOEL HOLLINGS.**

We have learned with regret that Mr. T. G. N. Hollings, A.S.A.A., died on May 20th, at the early age of 38. Mr. Hollings was articled to Mr. C. S. Holliday, F.S.A.A., Leeds, and commenced public practice on his own account in 1924, shortly after his admission to membership of the Society of Incorporated Accountants. In 1932 he became a partner in Messrs. Hollings, Crowe, Storr & Co., Incorporated Accountants. For the last four years

Mr. Hollings had been a member of the Committee of the Incorporated Accountants' District Society of Yorkshire. The funeral was attended by several representatives of the District Society.

**WILLIAM PRICE.**

We announce with regret the death on March 5th, at the age of 61, of Mr. William Price, F.S.A.A., who had been a member of the Society of Incorporated Accountants since 1912.

After some years as Chief Accountant of Kynoch Limited, Birmingham, Mr. Price in 1919 entered the service of the Anglo-Saxon Petroleum Company, Limited, London, where he became controller of accounts. He also acted as secretary of the company for several years, and was an administrator of the Provident Fund of the Shell group of oil companies. He retired owing to ill-health at the end of 1930.

Although Mr. Price did not hold office in any of the Society's organisations, he frequently assisted in the Society's work and interested himself in its welfare.

**KAILASHNATH JAGANNATH PUROHIT.**

We regret to record that Mr. K. J. Purohit, F.S.A.A., died on April 27th, at the age of 49. Mr. Purohit was President of the Incorporated Accountants' Bengal and District Society from 1935 to 1937. He became an Associate of the Society of Incorporated Accountants in 1916 and a Fellow in 1919. He was a partner in the firm of Batliboi & Purohit, Incorporated Accountants, Bombay and Calcutta, having served his articles with Mr. J. R. Batliboi, F.S.A.A., the senior partner.

## FINANCE BILL.

The following are the provisions of the Finance Bill in so far as they relate to Income Tax and other matters of more particular interest to the accountancy profession:

### PART II.

#### Income Tax (Charge of Tax and Miscellaneous).

12.—(1) Income tax for the year 1938-39 shall be charged at the standard rate of five shillings and sixpence in the pound, and, in the case of an individual whose total income exceeds two thousand pounds, at such higher rates in respect of the excess over two thousand pounds as Parliament may hereafter determine.

(2) All such enactments as had effect with respect to the income tax charged for the year 1937-38 shall have effect with respect to the income tax charged for the year 1938-39.

#### Higher Rates of Income Tax for 1937-38.

13.—Income tax for the year 1937-38 in respect of the excess of the total income of an individual over two thousand pounds shall be charged at rates in the pound which respectively exceed the standard rate by amounts equal to the amounts by which the rates at which income tax was charged in respect of the said excess for the year 1936-37 respectively exceeded the standard rate for that year.

#### Payment of Schedule A Tax by Instalments in Certain Cases.

14.—(1) Where—

(a) the tenant occupier of any land is authorised, under the provisions of Rule 1 of No. VIII of Schedule A, to make a deduction from the rent payable in respect of the land on account of the tax chargeable under that Schedule for any year of assessment; and

(b) the amount of the said deduction would exceed the next payment of rent from which it is authorised to be made;

he may, on giving notice to the collector in such form and within such time and containing such particulars as the Commissioners of Inland Revenue may require, pay the said tax for that year by two instalments as follows, that is to say—

(i) on or before the date or the last date on which the tax would, but for this section, be due and payable, the whole amount of the tax less the said excess;

(ii) on or before the expiration of three months from that date, the remainder of the tax.

(2) The provisions of the Income Tax Acts as to recovery of tax shall apply to each such instalment of tax in like manner as they apply to the whole amount of the tax.

(3) In this section the expression "land" means lands, tenements, hereditaments and heritages.

#### Increase of Reduced Rate Allowance.

15.—Sub-section (2) of section forty of the Finance Act, 1927 (which, as amended by section twenty-two of the Finance Act, 1935, provides for the reduction of the tax remaining chargeable after the allowance of other reliefs by a sum equal to two-thirds of the amount so remaining chargeable or two-thirds of the tax on one hundred and thirty-five pounds, whichever is the less), shall have effect as if the words "twenty-three thirty-thirds" were substituted for the words "two-thirds" in both places where they occur.

#### Amendment as to Relief in Respect of Life Insurance Premiums, &c.

16.—Sub-section (3) of section thirty-two of the Income Tax Act, 1918 (which, as amended by section twenty-three of the Finance Act, 1935, provides in paragraph (f) thereof that in certain cases no allowance shall be given in respect of life insurance premiums and other payments at a rate of tax greater than one-third of the

standard rate) shall have effect as if the words "ten thirty-thirds" were substituted in the said paragraph (f) for the words "one-third."

#### Increase of Additional Allowance in Case of Machinery and Plant.

17.—Section eighteen of the Finance Act, 1932 (which provides for the allowance of an additional deduction in the case of machinery and plant equal to one-tenth of the amount of the deduction for wear and tear allowed under Rule 6 of the rules applicable to Cases I and II of Schedule D) shall have effect as if the words "one-fifth" were substituted for the words "one-tenth".

#### PROVISIONS AS RESPECTS DIVIDENDS, INTEREST, &c.

#### Amendments of Schedule C and Consequential Amendments of Schedule D.

18.—(1) Where a banker or any other person in the United Kingdom, by means of coupons received from any other person or otherwise on his behalf, obtains payment of any dividends elsewhere than in the United Kingdom, the tax under Schedule C shall extend to the dividends, and the banker or other person so obtaining payment thereof shall be treated for the purpose of the paying agents rules as if he were intrusted with the payment thereof.

(2) Where—

(a) any banker in the United Kingdom sells or otherwise realises coupons for any dividends and pays over the proceeds to any person or carries them to his account; or

(b) any dealer in coupons in the United Kingdom purchases any such coupons as aforesaid otherwise than from a banker or another dealer in coupons;

the tax under Schedule C shall extend to the proceeds of the sale or other realisation, and the paying agents rules shall apply to those proceeds as if they were dividends to which those rules apply, and shall apply to the banker or dealer as if he had been intrusted with the payment thereof:

Provided that where tax in respect of the proceeds of the sale or realisation of any such coupon has been accounted for under the said rules by any banker or dealer and the Special Commissioners are satisfied that the coupon has been subsequently paid in such manner that tax has been deducted from the payment under any of the rules applicable to Schedule C, the tax so deducted shall be repaid.

(3) For all the purposes of Schedule C, of Rule 1 of the rules applicable to Case III of Schedule D, and of this section, the expression "public revenue" shall, except where the context otherwise requires, include the public revenue of any Government whatsoever, and the revenue of any public authority or institution in any country outside the United Kingdom.

(4) Paragraph (c) of Rule 2 of the general rules applicable to Schedule C (which exempts ministers of foreign States) shall apply to any sums chargeable with tax by virtue of sub-section (2) of this section as it applies to interest, and paragraph (d) of that rule (which exempts non-residents) shall apply to any sums chargeable with tax by virtue of any of the foregoing provisions of this section as it applies to the interest or dividends on any securities of a foreign State or British possession which are payable in the United Kingdom.

(5) Sub-sections (1) and (2) of this section shall apply for the purposes of Rule 7 of the miscellaneous rules applicable to Schedule D (which relates to interest, &c., from colonial and foreign companies) as they apply for the purposes of Schedule C, subject to the following modifications—

(a) references to Schedule D shall be substituted for references to Schedule C;

(b) references to dividends shall be construed as references to any such payments as are referred to in sub-paragraphs (a) and (b) of paragraph (1) of the said Rule 7.

## (6) In this section—

- (a) the expression "banker" includes a person acting as a banker and, notwithstanding anything in the paying agents rules, includes the Bank of England and the Bank of Ireland;
- (b) the expressions "coupons" and "coupons for any dividends" include warrants for or bills of exchange purporting to be drawn or made in payment of any dividends;
- (c) the expression "dividends" means any interest, annuities, dividends or shares of annuities payable elsewhere than in the United Kingdom (whether they are also payable in the United Kingdom or not) out of any public revenue other than the public revenue of the United Kingdom;
- (d) the expression "paying agents rules" means the rules applicable to Schedule C as to interest, &c., with the payment of which persons other than the Bank of England, the Bank of Ireland and the National Debt Commissioners are intrusted.

(7) Rule 7 of the paying agents rules and paragraph (3) of Rule 7 of the miscellaneous rules applicable to Schedule D shall not have effect.

(8) Subject to the provisions of this sub-section, the foregoing provisions of this section shall be deemed always to have had effect:

Provided that—

- (a) nothing in this section shall affect—
  - (i) the determination of any commissioners or the judgment of any court made or given before the twenty-seventh day of April, nineteen hundred and thirty-eight; or
  - (ii) any appeal from or case stated in respect of any such determination, or any appeal from any such judgment; or
  - (iii) any appeal against an assessment if notice of the appeal was given before that date; and
- (b) nothing in this section shall apply to the proceeds of any sale or other realisation of coupons sold or realised at any time after the twenty-ninth day of July, nineteen hundred and thirty-seven, and before the said twenty-seventh day of April, being coupons for any dividends or other payments payable at any time before the said twenty-seventh day of April in respect of which provision was not made for payment at the due date in accordance with the obligations undertaken by the debtor.

*Provisions as Respects Transfers of Income Arising from Securities.*

19.—(1) Where in any year of assessment the owner of any securities (in this section referred to as "the owner") sells or transfers the right to receive any interest payable (whether before or after the sale or transfer) in respect of the securities without selling or transferring the securities, then, for all the purposes of the Income Tax Acts, that interest, whether it would or would not be chargeable to tax apart from the provisions of this section—

- (a) shall be deemed to be the income of the owner or, in a case where the owner is not the beneficial owner of the securities and some other person (hereinafter in this section referred to as "a beneficiary") is beneficially entitled to the income arising from the securities, the income of the beneficiary; and
- (b) shall be deemed to be the income of the owner or beneficiary for that year; and
- (c) shall not be deemed to be the income of any other person:

Provided that, in the case of a sale or other realisation the proceeds whereof are chargeable to tax under Schedule C or Rule 7 of the miscellaneous rules applicable to Schedule D, the interest so deemed to be the income

of the owner or beneficiary shall be deemed to be equal in amount to the amount of those proceeds.

(2) Nothing in the foregoing provisions of this section shall affect any provision of the Income Tax Acts authorising or requiring the deduction of tax from any interest which is deemed to be the income of the owner or beneficiary as aforesaid or from the proceeds of any subsequent sale or other realisation of the right to receive that interest:

Provided that the proceeds of any such subsequent sale or other realisation shall not, for any of the purposes of those Acts, be deemed to be the income of the seller or the person on whose behalf the right is otherwise realised.

(3) Where the securities are of such a character that the interest payable in respect thereof may be paid without deduction of tax, the owner or beneficiary shall be chargeable to tax at the standard rate under Case VI of Schedule D in respect of any interest which is deemed to be his income by virtue of this section, unless he shows that it has borne tax at the standard rate or that the proceeds of any sale or other realisation of the right to receive that interest have been charged to tax under Schedule C or the said Rule 7:

Provided that, in any case where, if the interest had been chargeable under Case IV or Case V of Schedule D, the computation of tax would have been made by reference to the amount received in the United Kingdom, the tax under Case VI shall be computed on the full amount of the sums which have been or will be received in the United Kingdom in the year of assessment or any subsequent year in which the owner remains the owner of the securities.

(4) For the purposes of this section—

- (a) the expression "interest" includes dividends, annuities and shares of annuities; and
- (b) the expression "securities" includes stocks and shares.

(5) The Commissioners of Inland Revenue may by notice in writing require any person to furnish them within such time as they may direct (not being less than twenty-eight days) in respect of all securities of which he was the owner at any time during the period specified in the notice, with such particulars as they consider necessary for the purposes of this section and for the purpose of discovering whether—

- (a) tax has been borne in respect of the interest on all those securities; or
- (b) the proceeds of any sale or other realisation of the right to receive the interest on the securities have been charged to tax under Schedule C or the said Rule 7;

and if that person without reasonable excuse fails to comply with the notice, he shall be liable to a penalty not exceeding fifty pounds, and after judgment has been given for that penalty to a further penalty of the like amount for every day during which the failure continues.

(6) The provisions of this section shall be deemed always to have had effect:

Provided that—

- (a) nothing in this section shall affect—
  - (i) the determination of any commissioners or the judgment of any court made or given before the twenty-seventh day of April, nineteen hundred and thirty-eight; or
  - (ii) any appeal from or case stated in respect of any such determination, or any appeal from any such judgment; or
  - (iii) any appeal against an assessment if notice of the appeal was given before that date; and
- (b) nothing in this section shall apply to any sale or other realisation the proceeds whereof are not chargeable to tax by virtue of proviso (b) to sub-section (8) of the last foregoing section.

*Charge of Tax on Funding Bonds Issued in Respect of Interest on Certain Debts.*

20.—(1) Where any funding bonds are issued to a

creditor in respect of any liability to pay interest on any debt to which this section applies—

- (a) the issue of the bonds shall be treated for all the purposes of the Income Tax Acts as if it were the payment of an amount of that interest equal to the value of the bonds at the time of the issue thereof; and
  - (b) the redemption of the bonds shall not be treated for those purposes as the payment of any amount of that interest.
- (2) Where an issue of bonds is treated as aforesaid as if it were the payment of an amount of interest, and any person by or through whom the bonds are issued would be required, by virtue of any provision of the Income Tax Acts, to deduct tax from that amount of interest if it had been actually paid by or through him, the following provisions shall have effect—

- (a) subject to the provisions of the next following paragraph, any such person—
  - (i) shall retain bonds the value whereof at the time of their issue is equal to tax on the said amount of interest at the standard rate for the year of assessment in which the bonds are issued; and
  - (ii) shall be acquitted in respect of any such retention in like manner as if he had deducted such tax from the interest; and
  - (iii) shall be chargeable with the said tax accordingly, but may tender the bonds so retained in satisfaction of that tax;
- (b) where the Commissioners of Inland Revenue are satisfied that it is impracticable to retain bonds on account of tax under the last foregoing paragraph—
  - (i) they may relieve any such person from the obligation to retain bonds and account for tax under that paragraph on his furnishing to them a statement of the names and addresses of the persons to whom the bonds have been issued and the amount of the bonds issued to each such person; and
  - (ii) tax in respect of the amount of interest treated by virtue of this section as having been paid by the issue of the bonds shall be charged under Case VI of Schedule D for the year of assessment in which the bonds are issued on the persons receiving or entitled to the bonds.

(3) This section applies to any debt incurred, whether in respect of any money borrowed or otherwise, by any Government, public authority or public institution whatsoever, or by any body corporate whatsoever.

(4) For the purpose of this section the expression "funding bonds" includes any bonds, stocks, shares, securities or certificates of indebtedness.

(5) Subject to the provisions of this sub-section the foregoing provisions of this section shall be deemed always to have had effect:

Provided that—

- (a) nothing in this section shall affect—
  - (i) the determination of any commissioners or the judgment of any court made or given before the twenty-seventh day of April, nineteen hundred and thirty-eight; or
  - (ii) any appeal from or case stated in respect of any such determination, or any appeal from any such judgment; or
  - (iii) any appeal against an assessment if notice of the appeal was given before that date; and
- (b) nothing in this section shall apply to any funding bonds issued at any time after the twenty-ninth day of July, nineteen hundred and thirty-seven, and before the said twenty-seventh day of April.

#### MISCELLANEOUS.

##### *Valuation of Trading Stock on Discontinuance of Trades.*

21.—(1) In computing for any purpose of the Income Tax Acts the profits or gains of a trade which has been

discontinued, any trading stock belonging to the trade at the discontinuance thereof shall be valued as follows:—

- (a) in the case of any such trading stock—
  - (i) which is sold or transferred for valuable consideration to a person who carries on or intends to carry on a trade in the United Kingdom; and
  - (ii) the cost whereof may be deducted by the purchaser as an expense in computing for any such purpose the profits or gains of that trade;
- (b) in the case of any other such trading stock, the value thereof shall be taken to be the amount which it would have realised if it had been sold in the open market at the discontinuance of the trade.

(2) Any question arising under paragraph (a) of the last foregoing sub-section shall be determined as follows, for the purpose of computing as aforesaid the profits or gains of both the trades concerned:—

- (a) in a case where the same body of General Commissioners have jurisdiction with respect to both the trades concerned, any such question shall be determined by those Commissioners, unless all parties concerned agree that it shall be determined by the Special Commissioners;
- (b) in any other case, any such question shall be determined by the Special Commissioners;
- (c) any such Commissioners shall determine the question in like manner as if it were an appeal to them against an assessment under Schedule D, and the provisions of the Income Tax Acts relating to such an appeal shall apply accordingly with any necessary modifications.

(3) Where, by virtue of any provision of Rule 11 of the rules applicable to Cases I and II of Schedule D, a trade is treated as having been discontinued for the purpose of computing tax, it shall also be so treated for the purpose of this section, but this section shall not apply in a case where a trade carried on by a single individual is discontinued by reason of his death.

(4) For the purposes of this section the expression "trading stock," in relation to any trade, means property of any description, whether real or personal, being either—

- (a) property such as is sold in the ordinary course of the trade or would be so sold if it were mature or if its manufacture, preparation or construction were complete; or
- (b) materials such as are used in the manufacture, preparation or construction of any such property as is referred to in the last foregoing paragraph.

##### *Losses of Capital Redemption Business.*

22.—(1) Where any person carries on capital redemption business in conjunction with business of any other class, the capital redemption business shall, for the purposes of the Income Tax Acts, be treated as a separate business from any other class of business carried on by that person.

(2) In ascertaining whether and to what extent any person has sustained a loss in the carrying on by him of capital redemption business, for the purpose either—

- (a) of setting off the loss under Rule 13 of the rules applicable to Cases I and II of Schedule D against the profits of any other business carried on by him; or
- (b) of giving relief in respect of the loss under section thirty-four of the Income Tax Act, 1918;

any income of that person derived from investments held in connection with the capital redemption business shall be treated as part of the profits arising to him from that business.

(3) In this section the expression "capital redemption business" means the business (not being life assurance business or industrial assurance business) of effecting and carrying out contracts of insurance, whether effected by

the issue of policies, bonds or endowment certificates or otherwise, whereby in return for one or more premiums paid to the insurer, a sum or a series of sums is to become payable to the insured in the future.

(4) This section shall not apply to any capital redemption business, in so far as it consists of carrying out such contracts as aforesaid effected before the first day of January, nineteen hundred and thirty-eight.

*Amendments as Respects Avoidance of Tax by Transfer of Income to Persons Abroad.*

23.—(1) Section eighteen of the Finance Act, 1936 (which contains provisions for the purpose of preventing the avoiding by individuals of liability to income tax by means of transfers of assets by virtue or in consequence whereof, either alone or in conjunction with associated operations, income becomes payable to persons resident or domiciled out of the United Kingdom) shall be amended in accordance with the following provisions of this section.

(2) The proviso to sub-section (1) shall cease to have effect and the following two sub-sections shall be inserted immediately after the said sub-section (1):—

“(1A) Where, whether before or after any such transfer, such an individual receives or is entitled to receive any capital sum the payment whereof is in any way connected with the transfer or any associated operation, any income of a person resident or domiciled outside the United Kingdom arising by virtue or in consequence of the transfer, either alone or in conjunction with associated operations, shall, whether it would or would not have been chargeable to income tax apart from the provisions of this section, be deemed to be the income of that individual for all the purposes of the Income Tax Acts.

In this sub-section the expression ‘capital sum’ means—

- (a) any sum paid or payable by way of loan or repayment of a loan; and
- (b) any other sum paid or payable otherwise than as income, being a sum which is not paid or payable for full consideration in money or money's worth.

(1B) The last two foregoing sub-sections shall not apply if the individual shows in writing or otherwise to the satisfaction of the Special Commissioners either—

- (a) that the purpose of avoiding liability to taxation was not the purpose or one of the purposes for which the transfer or associated operations or any of them were effected; or
- (b) that the transfer and any associated operations were *bona fide* commercial transactions and were not designed for the purpose of avoiding liability to taxation.”

(3) in paragraph (d) of sub-section (3) of the said section, the following words shall be inserted after the word “income” :—

“or may, in the event of the exercise of any power vested in any other person, become entitled to the beneficial enjoyment of the income”.

(4) After sub-section (4) the following sub-section shall be inserted :—

“(4A) For the purpose of this section any body corporate incorporated outside the United Kingdom shall be treated as if it were resident out of the United Kingdom whether it is so resident or not.”

(5) The foregoing amendments of the said section eighteen shall take effect for the purpose of assessment to income tax for the year 1937-38 and subsequent years and shall apply in relation to transfers of assets and associated operations whether carried out before or after the commencement of that year:

Provided that as respects income tax at the standard rate for the year 1937-38, the said section eighteen shall have effect as originally enacted, but surtax for that year shall be assessed and charged as if any income which

would, but for this proviso, have been charged under the said section eighteen as amended by this section had in fact been so charged.

PART III.

**Income Tax (Administration of Estates).**

*Provisions as to Limited Interests in Residue.*

24.—(1) The following provisions of this section shall have effect in relation to a person who, during the period commencing on the death of a deceased person and ending on the completion of the administration of his estate (in this Part of this Act referred to as “the administration period”) or during a part of that period, has a limited interest in the residue of the estate or in a part thereof.

(2) When any sum has been paid during the administration period in respect of that limited interest the amount thereof shall, subject to the provisions of the next following sub-section, be deemed for all the purposes of the Income Tax Acts to have been paid to that person as income for the year of assessment in which that sum was paid, or, in the case of a sum paid in respect of an interest that has ceased, for the last year of assessment in which it was subsisting.

(3) On the completion of the administration of the estate—

- (a) the aggregate amount of all sums paid before, or payable on, the completion of the administration in respect of that limited interest shall be deemed to have accrued due to that person from day to day during the administration period or the part thereof during which he had that interest, as the case may be, and to have been paid to him as it accrued due;
- (b) the amount deemed to have been paid to that person by virtue of the foregoing paragraph in any year of assessment shall be deemed for all the purposes of the Income Tax Acts to have been paid to him as income for that year; and
- (c) where the amount which is deemed to have been paid to that person as income for any year by virtue of this sub-section is less or greater than the amount deemed to have been paid to him as income for that year by virtue of the last foregoing sub-section, such adjustments shall be made as are hereafter provided in this Part of this Act.

(4) Any amount which is deemed to have been paid to that person as income for any year by virtue of this section shall—

- (a) in the case of a United Kingdom estate, be deemed to be income of such an amount as would after deduction of standard tax for that year be equal to the amount deemed to have been so paid, and to be income that has borne standard tax;
- (b) in the case of a foreign estate, be deemed to be income of the amount deemed to have been so paid, and shall be chargeable to standard tax under Case IV of Schedule D as if it were income arising from securities in a place out of the United Kingdom.

(5) Where a person has been charged to standard tax for any year by virtue of this section in respect of an amount deemed to have been paid to him as income in respect of an interest in a foreign estate and any part of the aggregate income of that estate for that year has borne United Kingdom income tax by deduction or otherwise, the tax so charged on him shall, on proof of the facts to the satisfaction of the General or Special Commissioners, be reduced by an amount bearing the same proportion thereto as the amount of the said income which has borne United Kingdom income tax bears to the amount of the said aggregate income:

Provided that where relief has been so given, such part of the amount in respect of which he has been charged

to standard tax as corresponds to the said proportion shall, for the purposes of surtax, be deemed to represent income of such an amount as would after deduction of standard tax be equal to that part of the amount charged.

*Provisions as to Absolute Interests in Residue.*

25.—(1) The following provisions of this section shall have effect in relation to a person who, during the administration period or during a part of that period, has an absolute interest in the residue of the estate of a deceased person or in a part thereof.

(2) There shall be ascertained in accordance with the next succeeding section the amount of the residuary income of the estate for each whole year of assessment, and for each broken part of a year of assessment, during which—

- (a) the administration period was current; and
- (b) that person had that interest;

and the amount so ascertained in respect of any year or part of a year, or, in the case of a person having an absolute interest in a part of a residue, a proportionate part of that amount, is in this Part of this Act referred to as the "residuary income" of that person for that year of assessment.

(3) When any sum or sums has or have been paid during the administration period in respect of that absolute interest, the amount of that sum or the aggregate amount of those sums shall, subject to the provisions of the next following sub-section, be deemed for all the purposes of the Income Tax Acts to have been paid to that person as income to the extent to which, and for the year or years of assessment for which, he would have been treated for those purposes as having received income if he had had a right to receive in each year of assessment—

- (a) in the case of a United Kingdom estate, his residuary income for that year less standard tax for that year, or
- (b) in the case of a foreign estate, his residuary income for that year,

and that sum or the aggregate of those sums had been available for application primarily in or towards satisfaction of those rights as they accrued and had been so applied.

In the case of a United Kingdom estate, any amount which is deemed to have been paid to that person as income for any year by virtue of this sub-section shall be deemed to be income of such an amount as would after deduction of standard tax for that year be equal to the amount deemed to have been so paid, and to be income that has borne standard tax.

(4) On the completion of the administration of the estate—

- (a) the amount of the residuary income of that person for any year of assessment shall be deemed for all the purposes of the Income Tax Acts to have been paid to him as income for that year, and in the case of a United Kingdom estate shall be deemed to have borne tax by reference to the standard rate; and
- (b) where the amount which is deemed to have been paid to that person as income for any year by virtue of this sub-section is less or greater than the amount deemed to have been paid to him as income for that year by virtue of the last foregoing sub-section, such adjustments shall be made as are hereafter provided in this Part of this Act.

(5) In the case of a foreign estate, any amount which is deemed to have been paid to that person as income for any year by virtue of this section shall be deemed to be income of that amount, and shall be chargeable to standard tax under Case IV of Schedule D as if it were income arising from securities in a place out of the United Kingdom.

(6) Where a person has been charged to standard tax by virtue of this section in the circumstances mentioned in sub-section (5) of the last foregoing section, the provisions of that sub-section shall have effect as they have effect where a person has been charged to standard tax by virtue of that section in those circumstances.

*Supplementary Provisions as to Absolute Interests in Residue.*

26.—(1) The amount of the residuary income of an estate for any year of assessment shall be ascertained by deducting from the aggregate income of the estate for that year—

- (a) the amount of any annual interest, annuity, or other annual payment for that year which is a charge on residue and the amount of any payment made in that year in respect of any such expenses incurred by the personal representatives as such in the management of the assets of the estate as, in the absence of any express provision in a will, would be properly chargeable to income, but excluding any such interest, annuity or payment allowed or allowable in computing the aggregate income of the estate; and
- (b) the amount of any of the aggregate income of the estate for that year to which a person has on or after assent become entitled by virtue of a specific disposition either for a vested interest during the administration period or for a vested or contingent interest on the completion of the administration.

(2) In the event of its appearing, on the completion of the administration of an estate in the residue of which, or in a part of the residue of which, a person had an absolute interest at the completion of the administration, that the aggregate of the benefits received in respect of that interest does not amount to as much as the aggregate for all years of the residuary income of the person having that interest, his residuary income for each year shall be reduced for the purpose of the last foregoing section by an amount bearing the same proportion thereto as the deficiency bears to the aggregate for all years of his residuary income.

In this sub-section the expression "benefits received" in respect of an absolute interest means the following amounts in respect of all sums paid before, or payable on, the completion of the administration in respect of that interest, that is to say—

- (a) as regards a sum paid before the completion of the administration, in the case of a United Kingdom estate such an amount as would, after deduction of standard tax for the year of assessment in which that sum was paid, be equal to that sum, or in the case of a foreign estate the amount of that sum; and
- (b) as regards a sum payable on the completion of the administration, in the case of a United Kingdom estate such an amount as would, after deduction of standard tax for the year of assessment in which the administration is completed, be equal to that sum, or in the case of a foreign estate the amount of that sum.

(3) In the application of the last foregoing sub-section to a residue or a part of a residue in which a person other than the person having an absolute interest at the completion of the administration had an absolute interest at any time during the administration period, the aggregates therein mentioned shall be computed in relation to those interests taken together, and the residuary income of that other person also shall be subject to reduction thereunder.

*Special Provisions as to Certain Interests in Residue.*

27.—(1) Where the personal representatives of a deceased person have as such a right in relation to the estate of another deceased person such that, if that right were vested in them for their own benefit, they would have an absolute or limited interest in the residue of that estate or in a part thereof, they shall be deemed to have that interest notwithstanding that that right is not vested in them for their own benefit, and any amount deemed to be paid to them as income by virtue of this Part of this Act shall be treated as part of the aggregate

income of the estate of the person whose personal representatives they are.

(2) Where different persons have successively during the administration period absolute interests in the residue of the estate of a deceased person or in a part thereof, sums paid during that period in respect of the residue or of that part thereof, as the case may be, shall be treated for the purpose of this Part of this Act as having been paid in respect of the interest of the person who first had an absolute interest therein up to the amount of—

(a) in the case of a United Kingdom estate, the aggregate for all years of that person's residuary income less standard tax, or

(b) in the case of a foreign estate, the aggregate for all years of that person's residuary income, and, as to any balance up to a corresponding amount, in respect of the interest of the person who next had an absolute interest therein, and so on.

(3) Where upon the exercise of a discretion any of the income of the residue of the estate of a deceased person for any period (being the administration period or a part thereof) would, if the residue had been ascertained at the commencement of that period, be properly payable to any person, or to another in his right, for his benefit, whether directly by the personal representatives or indirectly through a trustee or other person, the amount of any sum paid pursuant to an exercise of the discretion in favour of that person shall be deemed for all the purposes of the Income Tax Acts to have been paid to that person as income for the year of assessment in which it was paid, and the provisions of sub-sections (4) and (5) of the first section in this Part of this Act shall have effect in relation to an amount which is deemed to have been paid as income by virtue of this sub-section.

#### *Provisions as to Adjustments and Furnishing of Information.*

28.—(1) Where, on the completion of the administration of an estate, any amount is deemed by virtue of this Part of this Act to have been paid to any person as income for any year of assessment and—

(a) that amount is greater than the amount that has previously been deemed to have been paid to him as income for that year by virtue of this Part of this Act; or

(b) no amount has previously been so deemed to have been paid to him as income for that year;

an assessment or additional assessment may be made upon him for that year and tax charged accordingly or, on a claim being made for the purpose, any relief or additional relief to which he may be entitled shall be allowed accordingly.

(2) Where, on the completion of the administration of an estate, any amount is deemed by virtue of this Part of this Act to have been paid to any person as income for any year of assessment, and that amount is less than the amount that has previously been so deemed to have been paid to him, then—

(a) if an assessment has already been made upon him for that year, such adjustments shall be made in that assessment as may be necessary for the purpose of giving effect to the provisions of this Part of this Act which take effect on the completion of the administration, and any tax overpaid shall be repaid;

(b) if—

(i) any relief has been allowed to him by reference to the amount which has been previously deemed as aforesaid to have been paid to him as income for that year; and

(ii) the amount of that relief exceeds the amount of relief which could have been given by reference to the amount which, on the completion of the administration, is deemed to have been paid to him as income for that year;

the relief so given in excess may, if not otherwise made good, be charged under Case VI of Schedule D and recovered from that person accordingly.

(3) Notwithstanding anything contained in the Income Tax Acts, the time within which an assessment or additional assessment may be made for the purposes of this Part of this Act, or an assessment may be adjusted for those purposes, or a claim for relief may be made by virtue of this Part of this Act, shall not expire before the end of the third year following the year of assessment in which the administration of the estate in question was completed.

(4) The General or Special Commissioners may by notice in writing require any person being or having been a personal representative of a deceased person, or having or having had an absolute or limited interest in the residue of the estate of a deceased person or in a part thereof, to furnish them (within such time as they may direct, not being less than twenty-eight days) with such particulars as they think necessary for the purposes of this Part of this Act, and if that person without reasonable excuse fails to comply with the notice he shall be liable to a penalty not exceeding fifty pounds, and, after judgment has been given for that penalty, to a further penalty of the like amount for each day during which that failure continues.

#### *Interpretation of Part III.*

29.—(1) The following provisions of this section shall have effect for the purpose of the interpretation of the foregoing provisions of this Part of this Act.

(2) A person shall be deemed to have an "Absolute interest" in the residue of the estate of a deceased person, or in a part thereof, if and so long as the capital of the residue or of that part thereof, as the case may be, would, if the residue had been ascertained, be properly payable to him, or to another in his right, for his benefit, or is properly so payable, whether directly by the personal representatives or indirectly through a trustee or other person.

(3) A person shall be deemed to have a "Limited interest" in the residue of the estate of a deceased person, or in a part thereof, during any period, being a period during which he has not an absolute interest in the residue or in that part thereof, as the case may be, where the income of the residue or of that part thereof, as the case may be, for that period would, if the residue had been ascertained at the commencement of that period, be properly payable to him, or to another in his right, for his benefit, whether directly or indirectly as aforesaid.

(4) The expression "Personal representatives" means, in relation to the estate of a deceased person, his personal representatives as defined in relation to England by section fifty-five of the Administration of Estates Act, 1925, and persons having in relation to the deceased under the law of another country any functions corresponding to the functions for administration purposes under the law of England of personal representatives as so defined, and references to personal representatives as such shall be construed as references to the personal representatives in their capacity as having such functions as aforesaid.

(5) The expression "Specific disposition" means a specific devise or bequest made by a testator, and includes the disposition of personal chattels made by section forty-six of the Administration of Estates Act, 1925, and any disposition having, whether by virtue of any enactment or otherwise, under the law of another country an effect similar to that of a specific devise or bequest under the law of England.

Real estate included (either by a specific or general description) in a residuary gift made by the will of a testator shall be deemed to be a part of the residue of his estate and not to be the subject of a specific disposition.

(6) The expression "Charges on residue" means, in relation to the estate of a deceased person, the following liabilities properly payable thereout and interest payable in respect of those liabilities, that is to say,—

(a) funeral, testamentary and administration expenses and debts;

(b) general legacies (including in the case of an intestacy the sum of one thousand pounds

charged by virtue of section forty-six of the Administration of Estates Act, 1925), demonstrative legacies and annuities; and

- (c) any other liabilities of his personal representatives as such;

but, in the case of any such liabilities which, as between persons interested under a specific disposition or in such a legacy as aforesaid or in an annuity and persons interested in the residue of the estate, fall exclusively or primarily upon the property that is the subject of the specific disposition or upon the legacy or annuity, includes only such part (if any) of those liabilities as fall ultimately upon the residue.

(7) References to the "Aggregate income of the estate" of a deceased person for any year of assessment shall be construed as references to the aggregate income from all sources for that year of the personal representatives of the deceased as such, treated as consisting of—

- (a) any such income which is chargeable to United Kingdom income tax by deduction or otherwise, such income being computed at the amount on which that tax falls to be borne for that year, and

- (b) any such income which would have been so chargeable if it had arisen in the United Kingdom to a person resident and ordinarily resident therein, such income being computed at the full amount thereof actually arising during that year, less such deductions as would have been allowable if it had been charged to United Kingdom income tax,

but excluding any income from property devolving on the personal representatives otherwise than as assets for payment of the debts of the deceased.

(8) The expressions "United Kingdom estate" and "Foreign estate" mean respectively, as regards any year of assessment—

- (a) an estate the income whereof comprises only income which either has borne United Kingdom income tax by deduction or in respect of which the personal representatives are directly assessable to United Income tax, not being an estate any part of the income of which is income in respect of which the personal representatives are entitled to claim exemption from United Kingdom income tax by reference to the fact that they are not resident, or not ordinarily resident, in the United Kingdom; and

- (b) an estate other than a United Kingdom estate.

(9) In a case in which different parts of the estate of a deceased person are the subjects respectively of different residuary dispositions, this Part of this Act shall have effect in relation to each of those parts, with the substitution for references to the estate of references to that part of the estate, and for references to the personal representatives of the deceased as such of references to his personal representatives in their capacity as having the functions referred to in sub-section (4) of this section in relation to that part of the estate.

(10) The expression "Standard tax" means United Kingdom income tax at the standard rate.

(11) References to sums paid include references to assets that are transferred or that are appropriated by a personal representative to himself, and to debts that are set off or released; references to sums payable include references to assets as to which an obligation to transfer or a right of a personal representative to appropriate to himself is subsisting on the completion of the administration and to debts as to which an obligation to release or set off, or a right of a personal representative so to do in his own favour, is then subsisting; and references to amount shall be construed, in relation to such assets, as references to the value thereof at the date on which they were transferred or appropriated, or at the completion of the administration, as the case may require, and, in relation to such debts, as references to the amount thereof.

#### *Application of Part III to Scotland.*

30.—For the purpose of the application of this Part of this Act to Scotland—

- (i) any reference to the completion of the administration of an estate shall be construed as a reference to the date at which, after discharge of, or provision for, liabilities falling to be met out of the deceased's estate (including, without prejudice to the foresaid generality, debts, legacies immediately payable, and legal rights of surviving spouse or children) the free balance held in trust for behoof of the residuary legatees has been ascertained;
- (ii) for paragraph (b) of sub-section (1) of the third section in this Part of this Act, the following paragraph shall be substituted—
- (b) the amount of any of the aggregate income of the estate for that year to which a person has become entitled by virtue of a specific disposition;
- (iii) the expression "real estate" means heritable estate;
- (iv) for any reference to the sum of one thousand pounds charged by virtue of section forty-six of the Administration of Estates Act, 1925, there shall be substituted a reference to the sum of five hundred pounds to which a widow is entitled by virtue of the Intestate Husband's Estate (Scotland) Act, 1911;
- (v) the expression "charges on residue" shall include in addition to the liabilities specified in sub-section (6) of the last foregoing section any sums required to meet claims in respect of legal rights by surviving spouse or children.

#### *Commencement of Part III.*

31.—(1) This Part of this Act shall have effect, in relation to amounts deemed by virtue thereof to have been paid as income—

- (a) in the case of amounts so deemed by virtue of the first section in this Part of this Act, for the purpose of assessment to income tax and reliefs for the year 1937-38 and subsequent years; and
- (b) in the case of amounts so deemed by virtue of the second section in this Part of this Act, for the purpose of assessment to income tax and reliefs for the year 1938-39 and subsequent years;

and shall apply in relation to the estate of a deceased person whether he died before or after the commencement of the year 1937-38 or the year 1938-39, as the case may be:

Provided that no income shall be charged to standard tax by virtue of this Part of this Act for the year 1937-38 in a case to which paragraph (a) of this sub-section applies, but surtax shall be assessed and charged as if any income which would, but for this proviso, have been charged as aforesaid had in fact been so charged.

(2) Section thirty of the Finance Act, 1922 (which relates to cases where a charity is entitled to a residue) shall not apply to income for the year 1938-39 or for any subsequent year.

(3) Any relief given to any person before the commencement of this Act in respect of any income in respect of which that person is entitled to relief by virtue of this Part of this Act shall be taken as having been given on account of the relief to which he is so entitled.

#### **PART IV.**

##### **Income Tax (Settlements).**

##### *Income Arising under Certain Settlements to be Treated as Income of Settlor.*

32.—(1) If and so long as the terms of any settlement are such that—

- (a) any person has or may have power, whether immediately or in the future, and whether with or without the consent of any other person, to revoke or otherwise determine the settlement or any provision thereof and, in the event of the exercise of the power, the settlor or the wife or husband of the settlor will or

may cease to be liable to make any annual payments payable by virtue or in consequence of any provision of the settlement; or

- (b) the settlor or the wife or husband of the settlor may, whether immediately or in the future, cease, on the payment of a penalty, to be liable to make any annual payments payable by virtue or in consequence of any provision of the settlement;

any sums payable by the settlor or the wife or husband of the settlor by virtue or in consequence of that provision of the settlement in any year of assessment shall be treated as the income of the settlor for that year and not as the income of any other person:

Provided that, where any such power as is referred to in paragraph (a) of this sub-section cannot be exercised within the period of six years from the time when the first of the annual payments so referred to becomes payable, and the like annual payments are payable in each year throughout that period, the said paragraph (a) shall not apply so long as the said power cannot be exercised.

(2) If and so long as the terms of any settlement are such that—

- (a) any person has or may have power, whether immediately or in the future, and whether with or without the consent of any other person, to revoke or otherwise determine the settlement or any provision thereof; and

- (b) in the event of the exercise of the power, the settlor or the wife or husband of the settlor will or may become beneficially entitled to the whole or any part of the property then comprised in the settlement or of the income arising from the whole or any part of the property so comprised;

any income arising from the property comprised in the settlement in any year of assessment or from a corresponding part of that property, or a corresponding part of any such income, as the case may be, shall be treated as the income of the settlor for that year and not as the income of any other person;

Provided that, where any such power as aforesaid cannot be exercised within six years from the time when any particular property first becomes comprised in the settlement, this sub-section shall not apply to income arising from that property, or from property representing that property, so long as the power cannot be exercised.

(3) If and so long as the settlor has an interest in any income arising under or property comprised in a settlement, any income so arising during the life of the settlor in any year of assessment shall, to the extent to which it is not distributed, be treated for all the purposes of the Income Tax Acts as the income of the settlor for that year, and not as the income of any other person:

Provided that—

- (a) if and so long as that interest is an interest neither in the whole of the income arising under the settlement nor in the whole of the property comprised in the settlement, the amount of income to be treated as the income of the settlor by virtue of this sub-section shall be such part of the income which, but for this proviso, would be so treated as is proportionate to the extent of that interest; and

- (b) where it is shown that any amount of the income which is not distributed in any year of assessment consists of income which falls to be treated as the income of the settlor for that year by virtue of either of the last two foregoing sub-sections, that amount shall be deducted from the amount of income which, but for this proviso, would be treated as his for that year by virtue of this sub-section.

(4) For the purpose of the last foregoing sub-section, the settlor shall be deemed to have an interest in income arising under or property comprised in a settlement, if any income or property which may at any time arise under or be comprised in that settlement is, or will or

may become, payable to or applicable for the benefit of the settlor or the wife or husband of the settlor in any circumstances whatsoever:

Provided that the settlor shall not be deemed to have an interest in any income arising under or property comprised in a settlement if and so long as that income or property cannot become payable or applicable as aforesaid except in the event of—

- (a) the bankruptcy of some person who is or may become beneficially entitled to that income or property; or

- (b) any assignment of or charge on that income or property being made or given by some such person; or

- (c) in the case of a marriage settlement, the death of both the parties to the marriage and of all or any of the children of the marriage; or

- (d) the death under the age of twenty-five or some lower age of some person who would be beneficially entitled to that income or property on attaining that age.

(5) The provisions of Part I of the Second Schedule to this Act shall have effect as respects the recovery by a settlor of tax with which he becomes chargeable, and the recovery from a settlor of any additional relief to which he becomes entitled, by virtue of this section.

(6) No repayment shall be made under section twenty-five of the Income Tax Act, 1918 (which relates to relief from tax in respect of income accumulated under trusts) on account of tax paid in respect of any income which by virtue of this section has been treated as the income of a settlor.

(7) The foregoing provisions of this section shall apply for the purposes of assessment to income tax for the year 1937-38 and subsequent years and shall apply in relation to any settlement, wherever made and whether made before or after the passing of this Act:

Provided that—

- (a) for the year 1937-38 no income shall be charged to tax at the standard rate by virtue of this section, but surtax shall be assessed and charged as if any income which would, but for this proviso, have been charged as aforesaid had in fact been so charged; and

- (b) for the purpose of granting relief from tax at the standard rate in respect of any income which for the year 1937-38 is treated as the income of a settlor by virtue of sub-section (1) or sub-section (2) of this section, but would be treated as the income of some other person but for that sub-section, that income shall be treated as the income of that other person.

#### *Disallowance of Deduction from Total Income of Certain Sums Paid by Settlor.*

33.—(1) Where, by virtue or in consequence of any settlement to which this section applies, the settlor pays directly or indirectly in any year of assessment to the trustees of the settlement any sums which would, but for this sub-section, be allowable as deductions in computing his total income for that year for the purposes of surtax, those sums shall not be so allowable to the extent to which the aggregate amount thereof falls within the amount of income arising under the settlement in that year which has not been distributed, less—

- (a) so much of any income arising under the settlement in that year which has not been distributed as is shown to consist of income which has been treated as the income of the settlor by virtue of sub-section (1) or sub-section (2) of the last foregoing section; and

- (b) the amount of income so arising in that year which is treated as the income of the settlor by virtue of sub-section (3) of the last foregoing section.

(2) For the purpose of the last foregoing sub-section any sum paid in any year of assessment by the settlor to any body corporate connected with the settlement in

that year shall be treated as if it had been paid to the trustees of the settlement in that year by virtue or in consequence of the settlement.

(3) No relief shall be given under any of the provisions of the Income Tax Acts on account of tax paid in respect of so much of any income arising under a settlement in any year of assessment as is equal to the aggregate amount of any sums paid by the settlor in that year which are not allowable as deductions by virtue of this section.

(4) This section shall apply to any settlement (wherever made) made after the twenty-sixth day of April, nineteen hundred and thirty-eight, and where income arising under any settlement (wherever made) made on or before that date is treated as the income of the settlor by virtue of sub-section (1) or sub-section (2) of the last foregoing section, but ceases to be so treated by reason of any variation of the terms of the settlement made after that date, or would have been so treated but for such a variation, this section shall apply to that settlement as from the date when the variation takes effect.

(5) In this section references to sums paid by a settlor shall include references to sums paid by the wife or husband of the settlor.

#### *Sums Paid to Settlor Otherwise than as Income.*

34.—(1) Any capital sum paid directly or indirectly in any relevant year of assessment by the trustees of a settlement to which this section applies to the settlor shall—

(a) to the extent to which the amount of that sum falls within the amount of income available up to the end of that year, be treated for all the purposes of the Income Tax Acts as the income of the settlor for that year;

(b) to the extent to which the amount of that sum exceeds the amount of income available up to the end of that year but falls within the amount of the income available up to the end of the next following year, be treated for the purposes aforesaid as the income of the settlor for the next following year;

and so on.

(2) For the purpose of the last foregoing sub-section, the amount of income available up to the end of any year shall, in relation to any capital sum paid as aforesaid, be taken to be the aggregate amount of income arising under the settlement in that year and any previous relevant year which has not been distributed, less—

(a) the amount of any other capital sums paid in any relevant year before that sum was paid; and

(b) so much of any income arising under the settlement in that year and any previous relevant year which has not been distributed as is shown to consist of income which has been treated as income of the settlor by virtue of sub-section (1) or sub-section (2) of the first section in this Part of this Act; and

(c) any income arising under the settlement in that year and any previous relevant year which has been treated as the income of the settlor by virtue of sub-section (3) of the first section in this Part of this Act; and

(d) any sums paid by virtue or in consequence of the settlement, to the extent that they are not allowable, by virtue of the last foregoing section, as deductions in computing the settlor's income for that year or any previous relevant year; and

(e) an amount equal to tax at the standard rate on—

(i) the aggregate amount of income arising under the settlement in that year and any previous relevant year which has not been distributed, less

(ii) the aggregate amount of the income and sums referred to in paragraphs (b), (c) and (d) of this sub-section.

(3) For the purpose of this section, any capital sum paid to the settlor in any year of assessment by any body corporate connected with the settlement in that year shall be treated as having been paid by the trustees of the settlement in that year.

(4) Where the whole or any part of any sum is treated by virtue of this section as income of the settlor for any year, it shall be treated as income of such an amount as, after deduction of tax at the standard rate for that year, would be equal to that sum or that part thereof.

(5) This section applies to any settlement wherever made and whether made before or after the commencement of this Act, and in this section—

(a) the expression "capital sum" means—

(i) any sum paid by way of loan or repayment of a loan; and

(ii) any other sum paid otherwise than as income, being a sum which is not paid for full consideration in money or money's worth;

but does not include any sum which could not have become payable to the settlor except in one of the events specified in the proviso to sub-section (4) of the first section in this Part of this Act;

(b) the expression "relevant year" means any year of assessment after the year 1937-38;

(c) references to sums paid to the settlor include references to sums paid to the wife or husband of the settlor.

#### *Supplementary Provisions as to Settlements.*

35.—(1) The provisions of Part II of the Second Schedule to this Act shall have effect for the purpose of carrying this Part of this Act into effect and otherwise for supplementing the provisions thereof.

(2) Paragraph (a) of sub-section (1) of section twenty of the Finance Act, 1922, shall cease to have effect, and shall be deemed to have ceased to have effect for the purpose of assessment to surtax for the year 1937-38.

(3) Subject to the last foregoing sub-section, the provisions of this Part of this Act shall be in addition to and not in derogation of any other provisions of the Income Tax Acts.

(4) For the purposes of this Part of this Act—

(a) the expression "income arising under a settlement" includes—

(i) any income chargeable to income tax by deduction or otherwise, and any income which would have been so chargeable if it had been received in the United Kingdom by a person domiciled, resident and ordinarily resident in the United Kingdom; and

(ii) where the amount of the income of any body corporate has been apportioned under section twenty-one of the Finance Act, 1922, for any year or period, or could have been so apportioned if the body corporate were incorporated in any part of the United Kingdom, so much of the income of the body corporate for that year or period as is equal to the amount which has been or could have been so apportioned to the trustees of the settlement;

but, where the settlor is not domiciled, or not resident, or not ordinarily resident, in the United Kingdom in any year of assessment, does not include income arising under the settlement in that year in respect of which the settlor, if he were actually entitled thereto, would not be chargeable to income tax by deduction or otherwise by reason of his not being so domiciled, resident or ordinarily resident;

(b) the expression "settlement" includes any disposition, trust, covenant, agreement or arrangement, and the expression "settlor" in relation to a settlement means any person by whom the settlement was made;

- (c) a person shall be deemed to have made a settlement if he has made or entered into the settlement directly or indirectly, and in particular (but without prejudice to the generality of the foregoing words of this paragraph) if he has provided or undertaken to provide funds directly or indirectly for the purpose of the settlement, or has made with any other person a reciprocal arrangement for that other person to make or enter into the settlement;
- (d) income arising under a settlement in any year of assessment shall be deemed not to have been distributed if and to the extent that it exceeds the aggregate amount of—
- (i) the sums paid in that year by the trustees of the settlement to any persons (not being a body corporate connected with the settlement and not being the trustees of another settlement made by the settlor or the trustees of the settlement) in such manner that they fall to be treated in that year, otherwise than by virtue of the last preceding section, as the income of those persons for the purposes of income tax, or would fall to be so treated if those persons were domiciled, resident and ordinarily resident in the United Kingdom and the sums had been paid to them therein; and
  - (ii) any expenses of the trustees of the settlement paid in that year which, in the absence of any express provision of the settlement, would be properly chargeable to income; and
  - (iii) in a case where the trustees of the settlement are trustees for charitable purposes, the amount of any income in respect of which exemption from tax may be granted under section thirty-seven of the Income Tax Act, 1918, or section thirty of the Finance Act, 1921;
- (e) a body corporate shall be deemed to be connected with a settlement in any year of assessment if any of the income thereof for any year or period ending in that year of assessment—
- (i) has been apportioned to the trustees of the settlement under section twenty-one of the Finance Act, 1922, or could have been so apportioned if the body corporate had been incorporated in the United Kingdom; or
  - (ii) could have been so apportioned if the income of the body corporate for that year or period had not been distributed to the members thereof and, in the case of a body corporate incorporated outside the United Kingdom, if the body corporate had been incorporated in the United Kingdom.

## PART V.

### National Defence Contribution.

#### *Further Provisions as to Subsidiary Companies.*

36.—(1) For the purposes of this section and section twenty-two of the Finance Act, 1937 (which provides for the amalgamation for the purposes of the national Defence Contribution of the profits or losses of bodies corporate with the profits or losses of their subsidiaries), a body corporate shall be deemed to be a subsidiary of another body corporate if and so long as not less than three quarters of its ordinary share capital is owned by that other body corporate, whether directly or through another body corporate or other bodies corporate, or partly directly and partly through another body corporate or other bodies corporate.

(2) The amount of ordinary share capital of one body corporate owned by a second body corporate through another body corporate or other bodies corporate, or partly directly and partly through another body corporate or other bodies corporate, shall be determined in

accordance with the provisions of Part I of the Third Schedule to this Act.

(3) In this section and Part I of the said Schedule references to ownership shall be construed as references to beneficial ownership, and the expression "ordinary share capital," in relation to a body corporate, means all the issued share capital (by whatever name called) of the body corporate, other than capital the holders whereof have a right to a dividend at a fixed rate or a rate fluctuating in accordance with the standard rate of income tax, but have no other right to share in the profits of the body corporate.

(4) The provisions of sub-section (1) of the said section twenty-two relating to the giving of a notice by a principal company as respects a subsidiary shall have effect subject to the provisions of Part II of the Third Schedule to this Act.

(5) Where any interest, annuity or other annual payment, or any royalty or rent, is paid by one body corporate resident, or carrying on a trade or business, in the United Kingdom to another body corporate, whether so resident or carrying on a trade or business or not, and one of those bodies corporate is a subsidiary of the other, or both are subsidiaries of a third body corporate, then, for the purposes of the national defence contribution

(a) notwithstanding anything in section twenty of, or paragraph 4 of the Fourth Schedule to, the Finance Act, 1937, no deduction shall be allowed in respect of the payment in computing the profits of the trade or business carried on by the body corporate making the payment; and

(b) notwithstanding anything in paragraph 7 of that Schedule, the payment shall not be included in computing the profits of the trade or business carried on by the body corporate to which it is made.

(6) This section shall be deemed to have had effect as from the date on which Part III of the Finance Act, 1937, came into operation:

Provided that where, within two months from the passing of this Act, a notice is duly given under the said section twenty-two, as amended by this section, as respects any chargeable accounting period which ended before the passing of this Act, the notice shall have effect for the purposes of that section as if it had been given within two months from the end of that period.

#### *Amendment as Respects Carrying Forward of Losses.*

37.—(1) No loss sustained in a trade or business shall be carried forward and deducted or set off under sub-paragraph (2) of paragraph 2 of the Fourth Schedule to the Finance Act, 1937, if and to the extent that that loss has been deducted from or set off against the profits arising from another trade or business in computing those profits for the purposes of the national defence contribution.

(2) Where, in computing for the purposes of the national defence contribution the profits arising from the trade or business carried on by a principal company (including profits treated as so arising by virtue of section twenty-two of the said Act), those profits have been diminished by a loss sustained, or treated as aforesaid as having been sustained, in that trade or business, that loss shall, to the extent to which those profits have been thereby diminished, be treated for the purpose of this section as having been deducted from the profits arising from another trade or business in computing them as aforesaid.

(3) This section shall be deemed to have had effect as from the date on which Part III of the Finance Act, 1937, came into operation.

#### *Increase of Deduction for Wear and Tear.*

38.—Sub-paragraph (1) of paragraph 3 of the Fourth Schedule to the Finance Act, 1937 (which provides for the deduction in respect of any accounting period of a sum representing the diminution in value by reason of wear and tear during that period of plant or machinery, plus ten per cent. of that sum) shall have effect, in respect of any accounting period beginning after the thirty-first

day of March, nineteen hundred and thirty-eight, and in respect of such part of any accounting period as falls after that date, as if the words "twenty per cent." were substituted for the words "ten per cent."

## PART VI.

### Estate Duty.

#### *Estate Duty on Cesser by Death of a Limited Interest in Unascertained Residue.*

39.—(1) The following provisions of this section shall have effect for the purpose of the operation of Part I of the Finance Act, 1894 (in this Part of this Act referred to as "the principal Act") in relation to the death of a person on whose death an interest in the residue of the estate of a testator or intestate, or in a part thereof, is limited to cease, and who dies before the completion of the administration of the estate.

(2) Such an interest shall, until the completion of the administration, be deemed to be an interest in the unadministered estate of the testator or intestate, as for the time being held by his personal representatives subject to outstanding charges on residue and to any adjustments between capital and income remaining to be made in a due course of administration, and in the property (if any) representing ascertained residue.

(3) Such an interest shall be deemed to have become an interest in possession on the date as from which the income of the residue would have been attributable to that interest if the residue had been ascertained immediately after the death of the testator or intestate.

(4) Where such an interest is an interest in a part only of the residue of an estate, the references in the foregoing provisions of this section to the unadministered estate, to residue and to charges on residue, shall be construed as references to a corresponding part thereof.

(5) In this section—

(a) the expression "unadministered estate" means all the property for the time being held by the personal representatives of a testator or intestate as such, excluding property devolving on the personal representatives otherwise than as assets for payment of his debts and property that is the subject of a specific disposition;

(b) the expression "ascertained residue" means property which, having ceased to be held by the personal representatives as such, is held as part of the residue;

(c) the expressions "personal representatives," "charges on residue" and "specific disposition" have the meanings assigned to them respectively by Part III of this Act;

(d) references to personal representatives as such shall be construed as provided in the said Part III.

(6) In the application of this section to Scotland—

(a) references to the completion of the administration of an estate shall be construed as provided in the said Part III;

(b) for sub-section (2) the following sub-section shall be substituted:—

"(2) Such an interest shall, until the completion of the administration, be deemed to be an interest in the estate of the testator or intestate, as for the time being held by his personal representatives subject to outstanding charges on residue and to any adjustments between capital and income remaining to be made in a due course of administration."

(7) This section shall have effect, and shall be deemed always to have had effect, whether the person on whose death such an interest is limited to cease died before or dies after the commencement of this Act.

#### *Amendment as Respects Settled Property.*

40.—Sub-section (3) of section five of the principal Act (which provides that, in the case of settled property, where the interest of any person under the settlement fails or determines by reason of his death before it becomes

an interest in possession, and subsequent limitations under the settlement continue to subsist, the property shall not be deemed to pass on his death) shall have effect, in the case of a person dying after the passing of this Act, as if there had been inserted at the end thereof the words "by reason only of the failure or determination of that interest".

#### *Amendment as Respects Property Transferred to, and Shares in, Certain Companies.*

41.—(1) In relation to a person dying after the passing of this Act, sections thirty-four to thirty-eight of the Finance Act, 1930 (which charge estate duty where property has been transferred to certain companies and provide for the valuation of shares in such companies) shall have effect subject to the provisions of this section.

(2) For the purpose of determining the rate of estate duty, property which is deemed to pass on the death of any such person by virtue of the provisions of section thirty-four or section thirty-five of the said Act shall not be an estate by itself, but shall be aggregated with other property which is to be aggregated under section four of the principal Act; and accordingly sub-section (7) of the said section thirty-four and sub-section (3) of the said section thirty-five shall cease to have effect.

(3) For the purpose of the definition of "the value of the total assets of the company" contained in section thirty-eight of the said Act, the deduction to be made in respect of any debentures, debenture stock or preference shares of the company shall, instead of being the par or redemption value thereof whichever is the greater, be the principal value thereof ascertained in accordance with the provisions of sub-section (5) of section seven of the principal Act; and accordingly paragraph (i) of that definition shall be amended by substituting the words "the principal value so ascertained" for the words "the par or redemption value, whichever is the greater".

## PART VII.

### Miscellaneous and General.

#### *Restriction of Relief from Stamp Duty on Transfer from one Associated Company to Another.*

42.—(1) Section forty-two of the Finance Act, 1930 (which relieves from stamp duty any instrument the effect whereof is to convey or transfer a beneficial interest in property from one associated company to another, in this section respectively referred to as the "transferor" and "transferee") shall not apply to any such instrument, unless it is shown to the satisfaction of the Commissioners of Inland Revenue that the instrument was not executed in pursuance of or in connection with an arrangement whereunder—

(a) the consideration for the transfer or conveyance was to be provided directly or indirectly by a person other than a company which at the time of the execution of the instrument was associated with either the transferor or the transferee; or

(b) the beneficial interest in the property was previously conveyed or transferred directly or indirectly by such a person as aforesaid.

(2) For the purpose of this section a company shall be deemed to be associated with another company if, but not unless, both are companies with limited liability, and either—

(i) one of them is the beneficial owner of not less than ninety per cent. of the issued share capital of the other; or

(ii) not less than ninety per cent. of the issued share capital of each of them is in the beneficial ownership of a third company with limited liability.

#### *Prolongation of Currency of Certain Savings Certificates.*

44.—Proviso (b) to sub-section (1) of section forty-three of the Finance Act, 1931 (which prohibits the prolongation beyond the thirty-first day of March, nineteen hundred and forty, of the currency of any savings certificate issued on or before the thirty-first day of March, nineteen hundred and twenty-two) shall cease to have effect.

45.—(6) Such of the provisions of this Act as relate to matters with respect to which the Parliament of Northern Ireland has power to make laws shall not extend to Northern Ireland.

(7) The enactments set out in the Fourth Schedule to this Act are hereby repealed to the extent mentioned in the third column of that Schedule.

## SECOND SCHEDULE.

### Supplementary Provisions as to Settlements.

#### PART I.

#### ADJUSTMENTS BETWEEN THE SETTLOR AND TRUSTEES. *Sections 32 and 35.*

1. Where by virtue of any provision of the first section in Part IV of this Act any income tax becomes chargeable on and is paid by a settlor, he shall be entitled—

(a) to recover from any trustee, or other person to whom income arises under the settlement, the amount of the tax so paid; and

(b) for that purpose to require the Commissioners concerned to furnish to him a certificate specifying the amount of income in respect of which he has so paid tax and the amount of tax so paid.

2. Any certificate furnished under the last foregoing paragraph shall be conclusive evidence of the facts stated therein.

3. Where any person obtains, in respect of any allowance or relief, a repayment of income tax in excess of the amount of the repayment to which he would, but for the provisions of the said section, have been entitled, an amount equal to the excess shall be paid by him to the trustees or other person to whom income arises under the settlement, or where there are two or more such persons shall be apportioned among those persons, as the case may require.

4. If any question arises as to the amount of any payment or as to any apportionment to be made under the last foregoing paragraph, that question shall be decided by the General Commissioners whose decision thereon shall be final.

5. Any income which is treated by virtue of any provision of the said section as income of a settlor shall be deemed for the purpose of this schedule to be the highest part of his income.

#### PART II.

#### MISCELLANEOUS.

1. Tax chargeable at the standard rate by virtue of the first or third of the sections in Part IV of this Act shall be charged under Case VI of Schedule D.

2. In computing the liability to income tax of a settlor chargeable by virtue of any of the provisions of the first section in Part IV of this Act, the same deductions and reliefs shall be allowed as would have been allowed if the income treated as his by virtue of that provision had been received by him.

3. In computing the liability to income tax of a settlor chargeable by virtue of the third section in Part IV of this Act, the same deductions and reliefs shall be allowed as would have been allowed if the amount treated as his income by virtue of that section had been received by him as income.

4. The General or Special Commissioners may by notice in writing require any person, being a party to a settlement, to furnish them (within such time as they may direct, not being less than twenty-eight days) with such particulars as they think necessary for the purposes of any of the provisions of Part IV of this Act, and if that person without reasonable excuse fails to comply with the notice he shall be liable to a penalty not exceeding fifty pounds and, after judgment has been given for that penalty, to a further penalty of the like amount for every day during which the failure continues.

5. Without prejudice to the provisions of the last foregoing paragraph, if any party to a settlement fails to furnish any particulars required under the last foregoing paragraph, or if the General or Special Commissioners are

not satisfied with any particulars furnished under that paragraph, they may make an estimate of the amount of income which by virtue of any of the provisions of the first or third sections in Part IV of this Act, is to be treated as the income of the settlor.

## THIRD SCHEDULE.

### Provisions Relating to Subsidiary Companies for Purpose of National Defence Contribution.

#### PART I.

#### PROVISIONS FOR DETERMINING AMOUNT OF CAPITAL HELD THROUGH OTHER BODIES CORPORATE.

##### *Section 36.*

1. Where, in the case of a number of bodies corporate, the first directly owns ordinary share capital of the second and the second directly owns ordinary share capital of the third, then, for the purposes of this Schedule, the first shall be deemed to own ordinary share capital of the third through the second, and, if the third directly owns ordinary share capital of a fourth, the first shall be deemed to own ordinary share capital of the fourth through the second and third, and the second shall be deemed to own ordinary share capital of the fourth through the third, and so on.

2. In this Part of this Schedule—

(a) any number of bodies corporate of which the first directly owns ordinary share capital of the next and the next directly owns ordinary share capital of the next but one and so on, and, if they are more than three, any three or more of them are referred to as "a series";

(b) in any series—

(i) that body corporate which owns ordinary share capital of another through the remainder is referred to as "the first owner";

(ii) that other body corporate the ordinary share capital of which is so owned is referred to as "the last owned body corporate";

(iii) the remainder, if one only, is referred to as an "intermediary" and, if more than one, referred to as "a chain of intermediaries";

(c) a body corporate in a series which directly owns ordinary share capital of another body corporate in the series is referred to as an "owner";

(d) any two bodies corporate in a series of which one owns ordinary share capital of the other directly, and not through one or more of the other bodies corporate in the series, are referred to as being directly related to one another.

3. Where every owner in a series owns the whole of the ordinary share capital of the body corporate to which it is directly related, the first owner shall be deemed to own through the intermediary or chain of intermediaries the whole of the ordinary share capital of the last owned body corporate.

4. Where one of the owners in a series owns a fraction of the ordinary share capital of the body corporate to which it is directly related, and every other owner in the series owns the whole of the ordinary share capital of the body corporate to which it is directly related, the first owner shall be deemed to own that fraction of the ordinary share capital of the last owned body corporate through the intermediary or chain of intermediaries.

5. Where—

(a) each of two or more of the owners in a series owns a fraction, and every other owner in the series owns the whole, of the ordinary share capital of the body corporate to which it is directly related; or

(b) every owner in a series owns a fraction of the ordinary share capital of the body corporate to which it is directly related;

the first owner shall be deemed to own through the intermediary or chain of intermediaries such fraction of

the ordinary share capital of the last owned body corporate as results from the multiplication of those fractions.

6. Where the first owner in any series owns a fraction of the ordinary share capital of the last owned body corporate in that series through the intermediary or chain of intermediaries in that series, and also owns another fraction or other fractions of the ordinary share capital of the last owned body corporate, either—

- (a) directly ; or
- (b) through an intermediary or intermediaries which is not a member or are not members of that series ; or
- (c) through a chain or chains of intermediaries of which one or some or all are not members of that series ; or
- (d) in a case where the series consists of more than three bodies corporate, through an intermediary or intermediaries which is a member or are members of the series, or through a chain or chains of intermediaries consisting of some but not all of the bodies corporate of which the chain of intermediaries in the series consists ;

then, for the purpose of ascertaining the amount of the ordinary share capital of the last owned body corporate owned by the first owner, all those fractions shall be aggregated and the first owner shall be deemed to own the sum of those fractions.

## PART II.

### PROVISIONS AS RESPECTS NOTICES.

1. No principal company, being itself a subsidiary of another principal company, may give a notice as respects a subsidiary of itself, if and so long as a notice previously given as respects that principal company by that other principal company is in force.

2. Subject to the provisions of the next following paragraph, no principal company may give a notice as respects a subsidiary—

- (a) if and so long as a notice previously given as respects that subsidiary by another principal company is in force ; or
- (b) if and so long as a notice previously given by that subsidiary as respects a subsidiary of itself is in force.

3. Notwithstanding anything in the last foregoing paragraph, where a notice previously given by a principal company (hereafter referred to as the "first subsidiary") as respects a subsidiary (hereafter referred to as the "second subsidiary") is in force, and both the first subsidiary and the second subsidiary are subsidiaries of another principal company (hereafter referred to as the "first principal company"), the first principal company may give a notice as respects both the first subsidiary and the second subsidiary, but not as respects one or the other alone :

Provided that where a notice previously given by the first subsidiary as respects one or more other subsidiaries besides the second subsidiary is in force, the first principal company may not give a notice under this paragraph unless—

- (a) that other subsidiary or all those other subsidiaries are subsidiaries of the first principal company ; and
- (b) the first principal company gives a notice as respects that other subsidiary or all those other subsidiaries as well as the first and second subsidiaries.

4. Where a notice is duly given by the first principal company under the last foregoing paragraph, the notice previously given by the first subsidiary as respects the second subsidiary and any other subsidiary shall cease to be in force.

5. Where a notice is given simultaneously by two or more bodies corporate, the notice given by such one of them as may be agreed upon between them or, in default

of agreement, may be determined by the Commissioners of Inland Revenue, shall be treated for the purpose of this Part of this Schedule as having been given before the other notice or notices.

6. For the purpose of this Part of this Schedule, the expression "notice" means a notice under sub-section (1) of section twenty-two of the Finance Act, 1937, and a notice duly given under that sub-section by a principal company as respects a subsidiary shall, subject to paragraph 4 of this Part of this Schedule, be deemed to continue in force so long as the subsidiary continues to be a subsidiary of the principal company.

## FOURTH SCHEDULE.

### ENACTMENTS REPEALED.

#### Section 45.

Session and Chapter.	Short Title.	Extent of Repeal.
48 & 49 Vict., c. 51.	The Customs and Inland Revenue Act, 1885.	Section seven.
8 & 9 Geo. 5, c. 40.	The Income Tax Act, 1918.	Rule 7 of the rules applicable to Schedule C as to interest, &c., with the payment of which persons other than the Bank of England, the Bank of Ireland and the National Debt Commissioners are intrusted ; paragraph (3) of Rule 7 of the miscellaneous rules applicable to Schedule D.
12 & 13 Geo. 5, c. 17.	The Finance Act, 1922.	In sub-section (1) of section twenty, paragraph (a) and the words from "Provided that" to "made the disposition" where they secondly occur and the word "also" ; and section thirty.
15 & 16 Geo. 5, c. 36.	The Finance Act, 1925.	In sub-section (2) of section three, the words "and (6)" and so much of the First Schedule as re-enacts sub-section (6) of section thirteen of the Finance (No. 2) Act, 1915.
20 & 21 Geo. 5, c. 28.	The Finance Act, 1930.	Sub-section (7) of section thirty-four and sub-section (3) of section thirty-five.
21 & 22 Geo. 5, c. 28.	The Finance Act, 1931.	Proviso (b) to sub-section (1) of section forty-three.
24 & 25 Geo. 5, c. 4.	The British Hydrocarbon Oils Production Act, 1934.	The whole Act.
26 Geo. 5, & 1. Edw. 8, c. 54.	The Finance Act, 1936.	The proviso to sub-section (1) of section eighteen.
1 Edw. 8 & 1. Geo. 6, c. 54.	The Finance Act, 1937.	Paragraphs (a) and (b) of sub-section (3) of section twenty-two.

## Partnership Dissolution Accounts.

A LECTURE delivered to the Incorporated Accountants' Students' Society of Cardiff by

MR. K. V. STEPHENS, B.A.  
INCORPORATED ACCOUNTANT

Mr. STEPHENS said: Accountancy is not by any means the easiest of subjects upon which to lecture—nor, for that matter, are any subjects which involve a great complexity of detail. Law in almost any of its branches is perhaps an extreme example of this kind of subject. To master law, a student must obtain the standard works and, by the sweat of his brow, learn the mass of detail that is contained in them. In certain aspects accountancy is, from the student's point of view, rather like law. There is much detail work to be mastered. There is in addition—and it is equally important—a certain technique to be acquired, namely, the ability actually to put down on paper the meticulously accurate treatment of a set of figures. In the last resort, mastery of accountancy depends upon hard work and close attention to detail by the individual student. This is little more than a truism but it should be borne in mind that an examination paper in accountancy will ruthlessly reveal any weakness or imperfect understanding.

If you would allow me to give you the results of my own experience, I should say "Do not expect a lecturer to do for you work which you must do for yourself." The material a lecturer is using can usually be found in one or other of the leading books on his subject and this sort of knowledge must be acquired; it cannot be imparted. The most brilliant lecturer cannot inject his subject into the minds of apathetic students. He will be putting forward his subject as clearly as he can, isolating principles from details and giving a framework into which the students can fit the detail for themselves. He is available to assist with any particular difficulties which the student might meet. These things ought to be of very great assistance but the lecturer cannot do much more than this. If any real benefit is to accrue, the students themselves must make an equal effort to grasp and master the subject in all its detail.

We can, I think, spend the next hour in the most profitable way if I try to give you an outline of the whole topic without involving more detail than is strictly necessary. The accounts of partnership dissolution can be divided immediately into two types:—

- (a) Where a partner dies or retires and the business is carried on by the remaining partner or partners;
- (b) Where the partnership is completely disbanded.

In the first type, the dissolution involves a change on the constitutional side. The business itself continues and, in particular, the same set of books is kept before and after the dissolution. In the second type, the partnership comes completely to an end; the business is disposed of in one of the various ways which we can consider later; the books of account are closed completely at the end of the dissolution.

In the first case, the change of personnel does, of course, dissolve the partnership and those who carry on the business do so as a new partnership. Rights and liabilities up to the date of change belong to the old partners; those after the change to the new ones. It should be clearly noted that the continuing partners have no right to claim the kind of arrangement that follows. Strictly speaking, the partnership is dissolved, the assets should be sold (and both retiring and continuing partners have the right to bid for them) and the proceeds should be divided. In most cases of death or retirement, however, an agreement is reached to apply an arrangement along

the following lines. The essential problem here is clear enough. First, to how much is the deceased or retiring partner entitled? Second, how is he to be paid out?

To how much is the retiring partner entitled? Three factors have to be considered:—

- (a) The amount of his capital, less any drawings.
- (b) His proper share of any net trading profit or loss since the last accounts.
- (c) His share of any book profit or loss as a result of revaluing the assets and liabilities in the balance sheet.

The first heading does not require any elaboration. The second involves different treatment in different circumstances. The best way of finding out what share of net trading profit or loss since the last accounts belongs to the retiring partner is obviously to prepare ordinary accounts up to the date of dissolution and from them divide the net profit or loss in the usual manner. Another method is occasionally used in order to avoid the necessity of preparing accounts. Partners sometimes agree in their deed that a retiring partner shall accept a certain rate of interest upon his capital (as it existed in the last accounts before the retirement) in lieu of any actual profits to which he might be entitled. This admittedly dispenses with the necessity of preparing separate final accounts at the date of dissolution, but on the whole it is a makeshift arrangement which, on the grounds of accuracy, is to be deprecated. The third point is an important one. As time passes the balance sheet figures will tend less and less accurately to reflect what could be regarded as proper valuations of assets and liabilities. The depreciation rate might not be correct; no account may have been taken of capital appreciation; old balances may have been left open on the personal accounts. There are many examples of this kind of thing. Some of these (but not all) are faulty if from no other point of view than professional craftsmanship; in the case of others it would be faulty to have made any adjustment. While no change occurs on the constitutional side of a partnership, the less important matters of this sort are not, perhaps, of any great practical significance, but once any such change takes place (by the retirement or the introduction of a partner or by a change in the profit-sharing ratio), it is of first-class importance that the house should be put in order, so to speak. The reason is clear enough. If the balance sheet values are not correct, then the partners after the change (or in the ratio applying after the change) might receive profits or bear losses which ought to have been received or borne by the partners before the change (or in the ratio applying before the change). A revaluation account is thus to be opened when there is any change on the constitutional side of a partnership, and through this account the balance sheet values can be made to coincide with what the partners agree to be fair values. The shadow of goodwill falls rather ominously across our path at this point. The main difficulty concerned with goodwill is the determination of its value and that problem can here be left on one side. If it can be assumed that the partners have agreed upon a valuation of goodwill, then the actual treatment of it in the accounts is not difficult. If goodwill already appears in the balance sheet at its proper valuation, then nothing further is required. If it does not so appear then it must enter into the general revaluation just like any other asset. The fact that the value of goodwill might have suffered by reason of the death or retirement will already have been considered in arriving at its proper valuation. One further point should be noted. General reserves, as contrasted with specific reserves, will not be met very often outside the accounts of limited companies. If it should happen that a general reserve exists in a partnership

dissolution of this kind, do not overlook the fact that it would belong to all the partners and would have to be closed by a transfer to the credit of revaluation account. When such a reserve was created its amount must have been borne by the partners in their profit-sharing ratio. This would in most cases be true in the indirect sense that the partners would have received at the time the reserve was created less profit than they would have received if the reserve had not been created. Thus, the reserve must now be passed back to the partners in the same proportions and the most convenient way of doing this is to take the reserve to the credit of revaluation account.

The final balance of the revaluation account representing profit or loss is now divided amongst the partners in their profit-sharing ratio. Then, by collecting into one account all the balances standing in the deceased or retiring partner's name, we reach the end of the first stage and are able to state the total amount to which the deceased or retiring partner is entitled.

The second part of the problem—how to pay out the sum—is a purely practical one, depending largely on the financial resources of the concern or the partners themselves. There are four ways, to one or other of which the continuing partners usually resort. First, there is an outright payment by cheque, which is admirably simple but usually impossible, since sufficient funds are lacking. Second, the sum due may be paid by agreed instalments over a period of years with interest allowed on the unpaid balance. The accounting treatment is simple enough and requires no elaboration. Third, the partners might have had the foresight to prepare for this contingency by taking out a joint assurance policy. As you probably know, there are two ways in which the annual premium can be dealt with, and of these two ways the more usual is to debit the annual premium to profit and loss account. Now, when the contingency arises and the sum insured is received, the whole amount is treated as profit, that is, it is debited to cash and credited to the partners' capital accounts in the proportions in which profits and losses are shared. It is to be noted that this entry increases the balances on all partners' accounts. The significant point is that, although the amount due to the deceased or retiring partner will be increased by his share of the insured sum, the whole of the cash can be devoted to the one object of paying him. Fourth, there is the kind of arrangement adopted in *Elliott v. Elliott*. The real effect of this arrangement can perhaps best be realised if it is considered as an introduction of fresh capital by the continuing partners sufficient to pay off the retiring partner. Suppose £5,000 to be due to A., the retiring partner. Then, say, B. and C., the continuing partners, agree to put up this sum. The essential point is that B. and C. put up the money in any agreed proportions. The profit-sharing ratio has nothing to do with the question. Suppose they agree that B. shall find £1,000 and C. £4,000. These sums are brought into the books by debits to cash and credits to the capital accounts of B. and C. Then A. is paid out by a credit to cash, which takes out of cash the sums just brought into it. If draft balance sheets are prepared just before and just after this arrangement was put into effect, it might seem that all that has happened is that the retiring partner's capital has been split up in agreed amounts between the continuing partners, but it must not be imagined that the whole question of paying out a retiring partner can be settled merely by a few book entries. Consideration must pass between the continuing partners and the retiring partner. Whether such consideration is passed through the books (as suggested above) or settled by the partners outside the business (as was the

case in *Elliott v. Elliott*) is immaterial. The essential point is that valuable consideration must pass; the sum due to the retiring partner cannot be disposed of merely by a transfer in the books of account.

We come now to the second type of partnership dissolution. The business is completely disbanded and the books of account are brought to a close. Examination questions dealing with this kind of dissolution fall usually into one of three types:—

- (a) Where the assets are sold piecemeal, usually for cash.
- (b) Where the business as a whole is sold as a going concern, often to a limited company.
- (c) Where the partners split up the business between themselves, i.e., the reverse of an amalgamation.

In each case the key point is the use of a realisation account. All the accounts of assets to be disposed of are closed by transferring the balances upon them to realisation account. When this process is completed you have collected into the realisation account the book value of all those assets to be sold. It is also very convenient to debit to the realisation account any expenses in connection with the realisation. The consideration received for these assets must now be dealt with and its treatment will differ according to the circumstances. Where the assets are sold piecemeal the consideration, almost invariably in cash, is brought into account by a debit to cash and a credit to realisation account. Where the business is sold *en bloc* the treatment only differs in one small detail. The consideration in this case is more conveniently dealt with by a credit to realisation account and a debit to a personal account in the name of the purchaser or purchasing company. The personal account can then be settled when the cash or, quite probably, the shares or debentures are handed over. Where the partners split up the business between themselves, they must first agree what valuations are to be put upon the various assets and what particular assets are to be taken by each partner. Having settled these practical questions, the various assets are disposed of by credits to the realisation account and debits to the capital accounts of the partners who take them.

Whichever of the three courses has been followed, the realisation account now shows the profit or loss on realisation which must be divided amongst the partners in their profit-sharing ratio and if a rough balance sheet is prepared after this has been done, it will be a very simple document showing on the one side the amounts which are to be paid to the partners and creditors and, on the other, the assets—cash and possibly shares—from which these payments are to be made. All that now remains to be done is to satisfy the claims first of the creditors and then of the partners. It should be borne in mind that the profit-sharing ratio has nothing to do with the question at this stage (except in extraordinary cases like the settlement of partners' claims in shares upon the value of which the partners cannot agree—where the profit-sharing ratio is used as a solvent of the difficulty). The partners are, in normal cases, paid just like creditors, i.e., according to the amounts of their claims. It might often happen, more particularly in the third case mentioned, that, when the final stage is reached, it will be found that instead of the firm owing money to a partner, the partner owes money to the firm. *Garner v. Murray* has been given so much attention that it is apt to obscure the fact that in the great majority of cases a partner whose account is in debit simply has to pay in the sum necessary to settle it. The ruling in *Garner v. Murray* is not at all the arbitrary and inexplicable decision which even standard text-books sometimes imply it to be, but is a very precise application of sect. 44 of the Partnership Act.

## QUESTIONS IN PARLIAMENT.

### Property Societies (Returns).

Mr. BELLENGER asked the Financial Secretary to the Treasury whether his attention has been called to the decision given by the Marlborough Street magistrate in the case of *The English and Scottish Co-operative Property Mortgage and Investment Society, Limited*, resulting in this society being convicted of rendering an inaccurate return to the Registrar of Friendly Societies; and whether it is proposed to institute proceedings in the case of other property societies who have disclosed similar transactions in their published accounts?

Captain WALLACE: The answer to the first part of the question is in the affirmative. As I understand that the society has made a formal request to the magistrate to state a case for the opinion of the High Court the matter is still *sub judice* and no statement can at present be made in reply to the last part of the question.

### Companies Capital Duty.

Mr. EDWARDS asked the Chancellor of the Exchequer the amount of duty collected from March, 1935, to March, 1938, on the capital of newly formed companies, and the total amount of capital involved?

Sir J. SIMON: The net receipt of Companies Capital Duty, including duty paid by companies already on the register as well as duty paid by new companies in the last three financial years was as follows:—

1935-36	..	..	..	£1,097,000
1936-37	..	..	..	1,642,000
1937-38	..	..	..	1,059,000

The receipt of the duty is not recorded so as to distinguish the duty paid in connection with new registrations.

### Income Tax and Surtax.

Mr. TINKER asked the Financial Secretary to the Treasury whether he will give the amount that would come to the Treasury if the surtax standard of £2,000 was reduced to £1,500 and allowance made for the difference made by the loss of the ordinary income tax between £1,500 and £2,000?

Lieut.-Colonel COLVILLE: The surtax is graduated by way of charging a higher rate on each slice of income in excess of £2,000 and yield from lowering the limit to £1,500 would depend upon the graduation that would apply in respect of the slices of income in excess of £1,500. If the graduation were similar to that obtaining at present, the increased yield would be about £8,000,000, of which £7,400,000 would be payable by the existing body of surtax payers.

### Solicitors (Prosecutions for Fraud).

Mr. LIDDALL asked the Attorney-General whether his attention has been called to recent convictions of solicitors in the criminal courts for fraudulent conversion of clients' money, notably a conviction at Manchester Assizes on April 21st; and whether, in consultation with the Law Society, he will inquire whether a more stringent operation of the requirements of the 1933 Solicitors Act, or a stiffening of its clauses by further legislation, is needed in order to render it less easy for these cases to occur?

The ATTORNEY-GENERAL: The Law Society have had this matter under very careful consideration. This consideration has not yet been completed but will, I understand, shortly result in proposals which it is hoped will be effective in dealing with this evil. Until these proposals are formulated it would be premature for me to make any statement on the matter.

### Government Contracts.

Mr. ELLIS SMITH asked the Financial Secretary to the Treasury whether he is satisfied with the arrangements made in the system of non-competitive contracts and on the question of on-costs?

Lieut.-Colonel COLVILLE: The Select Committee on Estimates, in their first report for 1937, stated that they were satisfied that the methods followed in placing non-competitive contracts were soundly conceived and were fair both to the taxpayer and to the contractor, and that so far as an estimate could be formed they have been effective up to date in preventing profiteering at the taxpayers' expense. The Select Committee also stated that they were satisfied that in the case of non-competitive contracts the Departments concerned are fully seized of the importance of excluding excessive allowance for overhead costs, due regard being had to any increase in the scale of output of the particular contractor whether on public or private account. I can assure the hon. Member that the Departments are very much alive to the problems involved in non-competitive contracts and the related question of on-costs. The matter is being kept under continuous review in order that improvements may be made in the methods in force, in the light of the experience gained.

Mr. SMITH: Will the right hon. and gallant Gentleman give serious consideration to the offer made by the chairman of Ransome & Rapier in connection with this matter?

Lieut.-Colonel COLVILLE: I remember that on Thursday of last week my right hon. Friend the Chancellor of the Exchequer dealt at some length with the whole question and showed that we regard it as of great importance to get full value for the contracts placed, and do not cease to do our best to secure that.

Mr. L. SMITH: Is my right hon. and gallant Friend aware that in industrial circles there is a strong feeling that they must not, if they can help it, take too much Admiralty work because the profit is so meagre?

Mr. E. SMITH asked the Financial Secretary to the Treasury whether he is satisfied with the prices paid under sub-contracts to independent firms; are the competitive tenders checked by technical specialists; and is there any system of technical costing?

Lieut.-Colonel COLVILLE: As stated by the Select Committee on Estimates in their First Report for 1937, the investigation of costs paid under sub-contracts presents peculiar difficulties. For competitive contracts, main contractors will, in their own interests, obtain the best possible terms for any sub-contracts. In shipbuilding contracts it is the practice to require at least three competitive tenders to be obtained for certain units which are supplied complete by sub-contractors, and these tenders are checked by technical specialists in the same way as are the main contractors' tenders. This is also the practice in agency contracts. Technical costing is extensively used and the practice then is to apply technical costing methods to the sub-contracts also when the circumstances justify this course. It is the practice to reduce sub-contracting by making direct purchases of important units where this is not precluded by the necessity of maintaining the responsibility of main contractors for quality and performance; for example, armour and gun mountings are bought by the Admiralty direct for ships built in the dockyards and in private yards, and engines and numerous items of equipment are bought by the Air Ministry. The whole question of the prices paid under sub-contracts will continue to be kept under close review.

Mr. SMITH: Will the Financial Secretary consider the need of the auditors and technical specialists having access to the men's rate tickets in order that there may be the most minute checking in places where there are Government contracts so as to eliminate a good deal of the suspicion which arises?

Lieut.-Colonel COLVILLE: We are ready to entertain any practical suggestion, but if the hon. Member will consider the full answer which I have given he will see that the technical costing is very close.

## Changes and Remobals.

Mr. G. Frederick Attwood, Incorporated Accountant, announces that his offices have been removed from No. 11, Cross Street to General Buildings, 8-10, Station Road, Reading.

Mr. Alfred Brown, Incorporated Accountant, practising under the style of Alfred Brown & Co., at 1, Cooper Street, Manchester, has taken over the practice formerly carried on by Mr. Ernest Williams, Incorporated Accountant, at Bank Chambers, Wilmslow, where he will practise under the same style at his Manchester office.

Mr. G. W. T. Coles, Incorporated Accountant, has commenced public practice at 29, Overcliffe, Gravesend, under the style of Coles & Co.

Messrs. Frank E. Dixon & Co., Chartered Accountants, Chrysler Building, 405, Lexington Avenue, New York, U.S.A., announce that Mr. Charles A. Corbin, Member of the American Institute of Accountants, associated with the predecessor firm of Messrs. Lingley, Baird & Dixon and their successors for over 20 years, has been admitted into partnership, as from June 1st. The firm name will remain unchanged.

Messrs. Kar, Sen & Co., Incorporated Accountants, announce that they have removed their office to 9, Hastings Street, Calcutta.

Messrs. E. O. Mosley & Co., 16, Bolton Street, Bury, and also at Ramsbottom, announce that they have taken into partnership Mr. Fred Lofthouse, Mr. Harold Hall, and Mr. James P. Farrar, Incorporated Accountants. The firm name will be unchanged.

Messrs. Edwin V. Nixon & Partners are now practising at Trustees Chambers, 401, Collins Street, Melbourne.

Mr. Philip D. Rabjohns, Incorporated Accountant, announces a change of address to 1, College Yard, Worcester.

Mr. J. Tannett Mackenzie, Incorporated Accountant, has removed his office to 93, Hope Street, Glasgow.

## Printed Will Forms.

Giving judgment recently on a summons which raised questions of construction arising out of a will which was in printed form, Mr. Justice Farwell said: "The printed form of will is one which leads to many Chancery proceedings, and it is one which ought to be avoided by persons who wish to have their estates successfully disposed of after their death."

## FORTHCOMING REVENUE CASES.

The following cases are on the lists for the Easter Sittings:—

### COURT OF APPEAL.

#### Final List.

Allen v. Trehearne (Inspector of Taxes). Appeal of Appellants from order of Mr. Justice Lawrence dated March 24th, 1937, set down April 20th.

McCalmont v. Commissioners of Inland Revenue. Appeal of Respondents from order of Mr. Justice Lawrence, dated May 4th, 1937, set down June 7th.

Commissioners of Inland Revenue v. British Salmson Aero Engines, Ltd. Appeal of Appellants from order of Mr. Justice Finlay, dated June 22nd, 1937, set down July 14th.

Dawson v. Counsell (Inspector of Taxes). Appeal of Respondent from order of Mr. Justice Lawrence, dated May 11th, 1937, set down July 23rd.

Radio Pictures, Ltd. v. Commissioners of Inland Revenue. Appeal of Respondents from order of Mr. Justice Lawrence, dated July 29th, 1937, set down September 8.

Barnes (Inspector of Taxes) v. Hutchinson. Appeal of Appellant from order of Mr. Justice Lawrence, dated October 18th, 1937, set down November 19th.

Lever Brothers, Ltd. v. Commissioners of Inland Revenue. Appeal of Appellants from order of Mr. Justice Lawrence, dated October 29th, 1937, set down November 19th.

Morley (Inspector of Taxes) v. Messrs. Tattersall. Appeal of Respondents from order of Mr. Justice Lawrence, dated November 5th, 1937, set down December 14th.

The Duo Trust, Ltd. v. Commissioners of Inland Revenue. Appeal of Appellants from order of Mr. Justice Lawrence, dated March 21st, 1938, set down April 11th.

Odhams Press, Ltd. v. Cook (Inspector of Taxes). Appeal of Appellant from order of Mr. Justice Lawrence, dated March 25th, 1938, set down April 13th.

### Interlocutory List.

Attorney-General v. Prosser. Appeal of Defendant from order of Mr. Justice Porter, dated December 3rd, 1937, set down December 17th.

### KING'S BENCH.

#### Cases Stated.

Richard Hodgson Read and The Commissioners of Inland Revenue.

Commissioners of Inland Revenue and Sir Harry Mallaby-Deeley, Bart.

Watson Brothers and W. G. MacInnes (Inspector of Taxes).

Augustus J. Dutch and The Commissioners of Inland Revenue.

William Cooper Hobbs and H. G. L. Hussey (Inspector of Taxes).

G. Scammell & Nephew, Ltd. and H. F. Rowles (Inspector of Taxes).

William H. Boase and Commissioners of Inland Revenue.

Jonathan Charles Cusden and F. Eden (Inspector of Taxes).

Sydney Howard Cusden and F. Eden (Inspector of Taxes).

Gertrude Maud Cusden and F. Eden (Inspector of Taxes).

Esher Development Co., Ltd. (in voluntary liquidation) and William Henry Kneen (Inspector of Taxes).

J. E. Laycock (Inspector of Taxes) and Freeman, Hardy and Willis, Ltd.  
 Sir Alan Garrett Anderson and Commissioners of Inland Revenue.  
 Commissioners of Inland Revenue and The British Mexican Petroleum Co., Ltd.  
 The Executors of Walter Sherwin Cottingham, dec., and Commissioners of Inland Revenue.  
 The Eastern National Omnibus Co., Ltd. and Commissioners of Inland Revenue.

*English Informations.*  
 Attorney-General and Glyn, Mills & Co.  
 Attorney-General and E. G. L. Cullum.

*Petition.*  
 In the Matter of the Finance Act, 1894, Sect. 10, and In the Matter of William Henry Barnes, dec.

### MACHINE ACCOUNTING EXHIBITION.

An exhibition of special interest to accountants will be held at Chesham House, 136, Regent Street, London, from June 13th to 17th.

Nearly a hundred different machines and modern systems for every kind of accounting and statistical work will be demonstrated. Those who are interested will be able to inspect the latest mechanical developments for invoicing, adding, book-keeping, calculating and statistical work; all-purpose typewriter accounting machines; electric carriage typewriters and fanfold machines; cash registering machines, &c.

Admission will be by invitation card or by presentation of business card. The organisation of the exhibition, which will be open from 2 p.m. to 7 p.m. each day, is being carried out by Burroughs Adding Machine, Limited.

### THE BOY SCOUTS FUND.

The following letter has been addressed to the President of the Society by the Rt. Hon. Lord Somers, K.C.M.G., D.S.O., Deputy Chief Scout, and is published with a view to enlisting the support of Incorporated Accountants.

25, Buckingham Palace Road,  
 London, S.W.1.  
 April 30th, 1938.

WALTER HOLMAN, Esq.,

The Society of Incorporated Accountants  
 and Auditors,  
 Incorporated Accountants' Hall, W.C.2.

DEAR SIR,—Will you please take up your share of the responsibility of making the Scout Movement secure? I don't think I need argue the value of Scouting—it is, I feel, enough to mention that every year 200,000 Boy Scouts go out into the world better developed mentally and physically from the training they have engaged in, and imbued with a sense of loyalty to their employers.

Almost all the day-by-day affairs of Scout troops are financed by the boys, but £25,000 every year is spent in guiding the Movement, providing camping facilities and making Scouting available to boys with physical disabilities and the sons of the unemployed. Our income is less than our expenditure by about £7,500 each year. Thus, while the Movement is always tugging at the traces we have to put on the brake.

Don't you agree with me that that is all wrong? This Scout Movement, the finest training for boys ever devised, a training they clamour for, is costing annually less than

1s. per head per boy. At this price it is in everyone's interest to give it every chance to expand.

I know if you would give your backing to our drive the boys would benefit immensely.

Yours truly,  
 SOMERS,  
 Deputy Chief Scout.

## District Societies of Incorporated Accountants.

### BELFAST.

The annual competition for the Booth Cup was held at Clandeboyne Golf Club on May 10th, a large number of members taking part. The competition, which was by match play over nine-hole heats, was won by Mr. G. B. Dickson, who defeated Mr. J. H. Allen in the final round.

The Eighteen-Hole Consolation Stroke was won by Mr. W. A. Conn with a net score of 68—the runner-up being Mr. H. Andison, with a net score of 72.

### BRADFORD.

#### Report.

The Committee has pleasure in presenting to the members the following report on the work of the Society for the year ended March 31st, 1938.

#### MEMBERSHIP.

There was an aggregate decrease of nine members during the year. Particulars of the membership, according to the Register, for the last three years are as follows:—

	1936.	1937.	1938.
Fellows and Associates in practice	105	106	103
Fellows and Associates not in practice .. .. .	118	127	126
	223	233	229
Students .. .. .	93	94	89
	316	327	318

#### LECTURES AND MEETINGS.

The Society held fourteen meetings during the session, as follows:—

Inaugural Meeting—Whist and Bridge Drive. Chairman: Mr. George R. Lawson, B.Com., F.S.A.A.

"Mercantile Law," by Mr. S. Shaw, LL.B., Barrister-at-Law. Chairman: Mr. J. W. Reynolds, F.S.A.A.

"The Accountant's Outlook on Insolvency Practice," by Mr. A. V. Hussey, A.S.A.A. Chairman: Mr. H. A. Horsfield, F.S.A.A.

Biennial Dinner.

"The Monetary Maze and the Plain Man," by Sir Norman Angell. Chairman: Mr. Herbert Hey (President of the Institute of Bankers, Bradford and District Centre). Joint Meeting with the Institute of Bankers and the Chartered Institute of Secretaries.

"Cost Accounts," by Mr. W. W. Bigg, F.C.A., F.S.A.A. Chairman: Mr. T. Hudson, F.S.A.A.

"The Fallacy of Social Credit," by Mr. George R. Lawson, B.Com., F.S.A.A. Chairman: Mr. A. B. Kitchen, F.S.A.A. Held at Keighley.

"Economic Planning and its Effects," by Mr. William Bell, M.A. Chairman: Mr. C. E. Claridge, F.C.A. F.S.A.A.

"Britain and the United States," by Dr. W. H. Coates, LL.B., B.Sc., Ph.D. At an Informal Dinner.

"Taxation—with particular reference to the latest changes in the law relating thereto," by Mr. H. A. R. J. Wilson.

F.C.A., F.S.A.A. Chairman : Mr. J. Rhodes, F.S.A.A. Annual Supper Dance.

"The Accounts of Holding Companies," by Mr. E. Westby Nunn, LL.B., Barrister-at-Law. Chairman : Mr. A. P. Burton, F.S.A.A., A.C.I.S. Held at Keighley.

Joint Debate with Bradford Law Students' Society and the Bradford and District Chartered Accountants' Students' Association.

"Partnership Accounts," by Mr. W. J. Back, A.S.A.A. Chairman : Mr. C. L. Townend, F.S.A.A.

The inaugural meeting again took the form of a whist and bridge drive, and a very enjoyable evening was spent by the 37 persons who attended. Mr. C. L. Townend, a Past President of the Society, invested the new President, Mr. George R. Lawson, with the badge of office. Mr. Lawson, in a brief reply, invited the co-operation of all members during the session. Mrs. Lawson presented the prizes.

The President, on behalf of the Society, presented a wireless set to Mr. Thomas M. Rhodes, who retired from the office of Honorary Secretary after serving in that capacity for more than six years. Mr. G. R. Lawson and Mr. C. L. Townend each paid a high tribute to Mr. Rhodes for the services he had rendered to the Society, and Mr. Rhodes suitably replied.

The biennial dinner was held at the Midland Hotel, Bradford, on October 22nd, 1937. The President, Mr. George R. Lawson, presided over a gathering of 100 members and guests.

#### GOLF COMPETITION.

The annual golf competition took place at the Harrogate Golf Club, Starbeck, on July 5th, 1937. The Silver Rose Bowl (presented to the Society for annual competition by Mr. C. L. Townend) was won by Mr. H. Jaques. A replica of the trophy was given and presented to the winner by the President, Mr. George R. Lawson. The second prize, a steel-shafted golf club, was won by Mr. A. B. Kitchen.

#### ECONOMICS STUDY CIRCLE.

Six meetings of the Economics Study Circle were held during the session, and they proved to be a most interesting and encouraging innovation. The President, who presided at most of these meetings, desires to congratulate all those who read papers and took part in the discussions, not only on the lively interest which was shown, but also on the quality of the work. It has been suggested that next year the Study Circle might be extended to permit of the discussion of any subject relating to the profession. The proposal will receive due consideration.

#### EXAMINATION RESULTS.

Congratulations are accorded to the students who have been successful in the Society's examinations. Eleven passed the Final examination during 1937, and eight the Intermediate.

#### OBITUARY.

It is with regret that we record the death of Mr. Joseph Smith and Mr. Robert Moreland. Mr. Smith was the senior partner in Messrs. Smith & Hayward and a Past President of this Society. Mr. Moreland was a director and secretary of Illingworth, Morris & Co., Ltd.

#### LIBRARY.

A number of additions were made to the Library during the year.

#### PARENT SOCIETY.

Once more the Committee desires to place on record its appreciation of the support and assistance rendered to it by the Parent Society during the year.

#### OTHER SOCIETIES.

The Society was represented during the year at functions of the Leeds Bradford and District Society of

Chartered Accountants, the West Yorkshire Branch of the Chartered Institute of Secretaries, the Bradford and District Institute of Insurance Brokers, the Bradford and District Auctioneers' and Valuers' Society, and several Incorporated Accountants' District Societies.

### LIVERPOOL.

#### Annual Report.

The Committee has pleasure in submitting the Report for the year ended March 31st, 1938.

#### MEMBERSHIP.

The figures of membership of the Society for the past three years are as follows :—

	1936.	1937.	1938.
Fellows .. ..	68	61	60
Associates .. ..	226	248	255
Students .. ..	252	247	221
	546	556	536

The reduction in membership is largely due to the exclusion of a number of students whose subscriptions were in arrear.

#### OBITUARY.

We record with regret the death in August last of Mr. John Murcott, who had been a member of the Society for nearly fifty years.

#### MEETINGS.

The following meetings have been held during the year :—

- "Income Tax on Property," by Mr. J. M. Smith, Inspector of Taxes.
- Ten-Minute Papers by Students.
- "National Defence Contribution." A Discussion opened by Mr. Lawrence Bailey, A.S.A.A.
- "Documents of Title," by Mr. Bertram B. Benas, B.A., LL.B., Barrister-at-Law.
- "Cheques and Bills of Exchange," by Mr. E. Westby Nunn, B.A., LL.B.
- "The Valuation of Goodwill," by Mr. C. A. Sales, LL.B., F.S.A.A.
- "Procedure in Company Formations," by Mr. E. G. Hardman, F.C.I.S., Director, H. T. Woodrow & Co., Limited.
- "A Fiscal Retrospect," by Mr. W. W. Thurgood, of the Chief Inspector's Department, Somerset House.
- "Statistics and the Practising Accountant," by Mr. A. Lester Boddington, F.S.S. (joint meeting with the Liverpool and District Branch of the Chartered Institute of Secretaries).
- "Practical Points in Insolvency Practice," by Mr. Kenneth G. Lyon, A.C.A.
- "Investigations," by Mr. W. W. Bigg, F.C.A., F.S.A.A.
- "Roosevelt, Revolution and Mr. Micawber," by Mr. Collin Brooks.
- Debate with the Institute of Municipal Treasurers and Accountants' Students' Society (Merseyside Area).
- "Accountancy in Relation to Examinations," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.
- "National Defence Contribution," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.
- "Mechanisation : Machines and Methods," by Major R. N. Barnett, T.D., A.S.A.A., A.C.I.S.

The improved attendances noted in the last annual report have been maintained, and thanks are due to our lecturers for a series of interesting meetings. Special reference should also be made to the visit to the Austin Motor Works, on March 11th. The arrangements made by our hosts, the Birmingham District Society, enabled

some sixty of our members to spend a most enjoyable and instructive day in the Midlands. Our grateful thanks have been conveyed to the members of the Birmingham Society, whom we hope to welcome again to Liverpool during the autumn.

#### DINNERS.

A dinner was held at the Adelphi Hotel, on February 9th, the speakers including the Lord Mayor of Liverpool (Alderman M. Cory Dixon, J.P.), the President of the Parent Society (Mr. Walter Holman), the President of the Institute of Bankers (Mr. R. A. Wilson), and Mr. Collin Brooks. A number of distinguished guests were present and the speeches were notably good, but the attendance of members was disappointing.

Following a lecture by Mr. W. W. Thurgood, Senior Principal Inspector of Taxes at Somerset House, a dinner was held at the Constitutional Club on December 14th. The guests included the Deputy Lord Mayor (Alderman William Denton, F.C.A.) and many of the Merseyside Inspectors of Taxes, the success of this dinner demonstrating once again the value of these functions.

At Southport, an informal reception was held at the Victoria Hotel, following a meeting on February 10th, at which the speaker was Mr. Collin Brooks and the chairman (Sir Ernest Hadfield).

#### RESEARCH COMMITTEE.

As a result of a meeting in September which was addressed by Mr. L. T. Little, B.Sc. (Deputy Secretary of the Parent Society), a considerable amount of work has been done during the year under the auspices of the Incorporated Accountants' Research Committee. A memorandum is now nearing completion on the subject of "The Preparation of Monthly and other Periodical Returns," and the thanks of the Committee are extended to the members who have devoted considerable time and thought to this work, which should be of practical value.

#### CONSULTATIVE COMMITTEE.

Income Tax and National Defence Contribution have again been the principal concern of the Consultative Committee, but members are reminded that advice is available in most spheres of professional practice, the following Panels have been appointed:—

- i. Fees and General Purposes.
- ii. Income Tax and Sur-Tax.
- iii. Bankruptcy, Liquidations, Receiverships and Trusteeships.
- iv. Company Law and Accounts.
- v. Rating and Local Taxation.
- vi. Executorship and Trusteeship.

#### LIVERPOOL INCORPORATED ACCOUNTANTS' HALL.

Some seventy meetings of the District Society have been held in the Hall, including lectures, revision classes and committee meetings. A number of other professional societies are also holding their functions in the Hall, and lettings have happily exceeded the expectations of the Committee. The practice of serving coffee each Saturday morning from 11 to 11.45 has been continued, and a number of students have been using the library for private study. The library facilities have been further increased as regards books and periodicals.

#### GOLF COMPETITION.

In accordance with precedent, a Golf Competition with Inspectors of Taxes was held during the summer through the good offices of Mr. Charles Tunnington. The meeting was held at Bidston and, again in accordance with precedent, the Society lost to the Inspectors, but it is understood that the proceedings were none the less enjoyable.

#### STUDENTS' SECTION.

After the annual meeting of the Students' Section in May last, at which Mr. S. Woodyer was appointed chairman, the work of the section was reviewed and rules prepared.

Revision classes have been continued under the direction of Mr. V. R. Anderson and Mr. John Hopkins, considerable progress being reported in the number of classes, the average attendance and the examination results.

A dance was held at the India Buildings Hall, on November 15th, and it is proposed to hold a similar dance on November 19th next.

During the year, a considerable amount of constructive work has fallen on the Students' Committee, who will continue to receive the full support of the District Society Committee in its work.

#### EXAMINATION RESULTS.

The Committee extends its congratulations to the students who were successful at the examinations of the Parent Society. Fifteen passed the Final examination and eleven the Intermediate.

The Liverpool examination prizes were awarded to Mr. A. Moody (first place, Intermediate, May), to Mr. F. B. Russell (fifth place, Final, May), and to Mr. B. P. Kellett (third place, Intermediate, November).

#### PARENT SOCIETY.

Once again the Committee desires to record its thanks to the President, Council and Officers of the Parent Society for much encouragement and assistance. During the year the members were pleased to welcome in Liverpool the President (Mr. Walter Holman), the Secretary (Mr. A. A. Garrett) and the Deputy Secretary (Mr. Leo T. Little).

At the District Societies Conference, held in May last in London, the Liverpool Society was represented by its Hon. Treasurer (Mr. Charles M. Dolby) and Hon. Secretary (Mr. Bertram Nelson).

#### LIVERPOOL CHAMBER OF COMMERCE.

The Society continues to be represented on the Council of the Chamber by the President and Hon. Secretary.

#### COMMITTEE.

The retiring members are Mr. J. Boucher, Mr. S. W. Hanscombe, Mr. R. Lewin, Mr. W. G. Lithgow, Mr. A. W. Manssuer and Mr. Charles Tunnington, who are eligible for re-election.

#### HON. AUDITOR.

The retiring auditor is Mr. R. Duncan French, C.C., who is eligible for re-appointment.

#### MANCHESTER.

##### Annual Report.

The Committee present to the members of the Society a report of the several matters that have engaged their attention and of the activities of the Society since the issue of the last report.

They are pleased to be able to state that interest in the Society and attendances at meetings have been maintained.

#### MEETINGS.

The following meetings were held during the 1937-38 session:—

Golf Match with Association of Inspectors of Taxes at Ashton-under-Lyne.

Discussion Meeting.

Students' Meeting. Mock Company Meeting.

Joint Meeting with Manchester Branch of Chartered Institute of Secretaries in the Chartered Accountants' Hall, Spring Gardens. "Some Present Day

Economic Tendencies," by Prof. Fred Hall, M.A., B.Com., F.C.I.S.

Annual Dance, Manchester Ltd. Restaurant.

Students' Meeting. "Outstanding Features of Auditing Practice," by Mr. R. Glynne Williams, A.C.A.

Discussion Meeting.

Students' Meeting. "The Accountancy Sections of the Companies Acts," by Mr. E. Westby-Nunn, B.A., LL.B., Barrister-at-Law.

Students' Meeting. Joint Meeting with Students' Section of the Institute of Municipal Treasurers. "Income Tax," by Mr. J. Wood, A.C.A.

Discussion Meeting.

Students' Meeting. "Costing," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.

Discussion Meeting.

Students' Meeting. Short Papers by Students.

Discussion Meeting.

Students' Meeting. "The Capital Structure of a Commercial Enterprise," by Mr. C. L. Lawton, M.Sc.(Econ.), A.C.A.

Discussion Meeting.

Annual Dinner.

Students' Annual Meeting. Mock Insolvency Meeting.

#### LIBRARY.

The circulation of the Library has again shown a considerable decrease, the number of books lent, including renewals, being 96, as against 123 in the previous year. A number of books have been presented during the year and the Committee's thanks are extended to the donors.

#### MEMBERSHIP.

The Register of Members, based on the Year Book after eliminating the duplication of names appearing under more than one town, shows that on March 31st there were 494 members, of whom 206 are practising members.

#### VICE-PRESIDENT'S BADGE.

Towards the end of the previous year the Committee considered it desirable to provide a badge for the use of the Vice-President. A choice was made from three sketches submitted by Mr. Halvor Piggott, and the badge was worn by the Vice-President for the first time at the Belfast Conference.

#### CORONATION SERVICE AT THE CATHEDRAL, MAY 9TH, 1937.

At the official service arranged by the Corporation, for which invitations had been issued by the Lord Mayor, the District Society was represented by the Vice-President, Mr. Alfred Southern. On the same day the Society was represented at a similar service held in Bolton by the President, Mr. Henry Smith.

#### INCORPORATED ACCOUNTANTS' CONFERENCE.

The District Society was represented at the highly successful Incorporated Accountants' Conference in Belfast, June, 1937, by the President, Vice-President, Hon. Secretary and several members. The addresses and discussions were important and interesting, and the several social functions proved most successful and enjoyable. All who attended were unanimously appreciative of the excellent organisation and hospitality of our Irish friends.

#### JUBILEE OF THE SHEFFIELD DISTRICT SOCIETY.

In October, 1937, the Sheffield District Society, which was the second District Society to be formed, celebrated its Fiftieth Anniversary. The celebrations took the form of an official luncheon, a reception and dance and a banquet and were very successful. The Manchester Society was represented by the President and Hon. Secretary and their ladies. At the Jubilee banquet, the President of the Sheffield Society recalled the fact that

Mr. Arthur E. Piggott, founder member of this Society, had been present at their inaugural dinner.

#### STUDENTS' SECTION.

During the session there have been eight Students' meetings, consisting of five lectures, two mock meetings and one meeting at which short papers were given by six of the Students. The opening meeting took the form of a Mock Shareholders' Meeting and proved as successful and as instructive as those held on previous occasions.

The meeting at which the Students gave short papers was very successful. The papers covered a variety of subjects and reflected great credit on the Students concerned. The Committee hopes that a similar meeting can be arranged during the next session.

The attendances have shown a slight increase on those of the previous year and the Committee has been encouraged by this feature. There is, however, still plenty of accommodation at the Central Library and the Committee looks forward to seeing still more of the Students during the next session.

The Committee endeavours to cover as wide a field as possible when arranging the various lectures and is always willing to consider suggestions from the Students regarding the subjects to be included in the syllabus.

The fourth number of the Students' journal, "Contact," was issued in autumn, 1937, and was received favourably. The editor invites further support by way of literary contributions.

The Committee extends its thanks to those senior members of the Society who have acted as chairmen at the various meetings.

#### STUDENTS' ATTENDANCES.

The Committee are again glad to note that the Students are showing appreciation of the value of the Students' Section and of the Society, and they look forward to a maintenance and improvement of this interest. A record of attendances has been kept and the Committee have again decided to recognise those Students whose attendance and general interest have been particularly good. Accordingly prizes of books are being presented to: Mr. S. Westbrook, Mr. I. L. Berry, Mr. B. S. Lightfoot, Mr. H. McEwen and Mr. T. Pennington.

#### EXAMINATION RESULTS.

The Committee, in furtherance of its scheme for creating interest and enthusiasm in the Students' Section, award prizes to candidates of this Society who are successful in gaining honours in the examinations. Prizes of books have therefore been allotted to Mr. Frederick William Lees, of Manchester, who obtained 4th Place Certificate, and Mr. Arthur William Kent, of Manchester, who obtained 5th Place Certificate in the Intermediate examination, May, 1937.

#### LIBRARY AND HON. LIBRARIAN.

The Committee record with regret the resignation from the office of Hon. Librarian of Mr. C. E. Rogerson, and desire to place on record their appreciation of his services. The Hon. Treasurer, Mr. R. Hindley, kindly consented to take over the office and the Library was accordingly moved to his offices.

#### ANNUAL DINNER.

The annual dinner was held in the Midland Hotel on March 23rd, 1938. The President, Mr. Henry Smith, was in the chair, and the principal guests included the Lord Mayor and Lady Mayoress of Manchester, Mr. Walter Holman, President of the Parent Society, the Mayor and Mayoress of Bolton, the Mayor of Rochdale, the President of the Manchester Chamber of Commerce and other distinguished guests.

## COMMITTEE.

The following members of the Committee retire by rotation: Mr. Forster, Mr. Hulme, Mr. Lloyd, Mr. Murray, Mr. A. E. Piggott and Mr. Turner. They are eligible for re-election.

Mr. Dixon, Mr. Garner and Mr. Nicklin retire under Rule 5 (d), but having been renominated are eligible for re-election.

The following have been elected to the Committee, and their election is subject to confirmation at the annual meeting: Mr. Arthur Bewley, F.S.A.A., Mr. Thomas Hodgson, F.S.A.A., Mr. G. W. Street, A.S.A.A., Mr. William Towers, F.S.A.A.

## NORTH STAFFORDSHIRE.

## Annual Report.

The Committee has pleasure in submitting its annual report for the year ended March 31st, 1938.

## MEMBERSHIP.

The membership of the District Society on March 31st, 1938, was 124 (including 15 Fellows, 53 Associates and 56 Students).

## REVIEW OF THE SESSION'S WORK.

During the session, the following lectures, &c., were held:—

"A Day at Bankruptcy Buildings," by Mr. F. C. Ormrod (Official Receiver).

"The Accountant's Outlook on Insolvency Practice," by Mr. A. V. Hussey, A.S.A.A.

"Mercantile Law," by Mr. E. Westby Nunn, B.A., LL.B.

"Development in Accountancy Training and Practice," by Mr. W. Strachan, F.S.A.A.

"Incomplete Records," by Mr. Bertram Nelson, F.S.A.A. Open Meeting.

A Research Section has been formed, under the chairmanship of Mr. E. S. Stoddard, and very interesting discussions have taken place among the members and students.

The lectures have covered a wide scope and have been fairly well attended. The Committee wishes to thank the lecturers for the services they have rendered to the students. The last students' meeting was an "open" meeting, at which students raised many points of interest, which were discussed at length.

The annual dinner was held on April 1st, 1938, and was a marked success. Unhappily, immediately after the termination of the function, the District Society's President, Mr. M. P. Ferneyhough, collapsed in the hotel and passed away.

Mr. Ferneyhough's death is a great loss to the District Society and to the profession. He had taken a keen interest in the work of the Society since its inception, and had attended a large number of the District Societies' functions all over the country, and also the Parent Society's Conferences and meetings. The sympathy of the members and students is extended to Mrs. Ferneyhough and her daughter, and to his partner, Mr. E. S. Stoddard.

Eleven students were successful in the Intermediate examination of the Society and two in the Final, and the Committee wishes to congratulate them.

The President and Secretary attended the Conference of District Societies held in May last year, and also some of the annual functions of the District Societies. They visited Belfast in June last, on the occasion of the Parent Society's Conference, and attended the Jubilee celebrations of the Sheffield Society in September.

The following members of the Committee are due to retire at the annual meeting: Mr. A. Brodie, Mr. S. H. Bructon, Mr. F. S. Ralphs, Mr. C. A. Shaw, and Mr. E. S. Stoddard, who are eligible for re-election under Rule 5 (b).

## NOTTINGHAM, DERBY AND LINCOLN.

## Annual Report.

The Committee has pleasure in submitting its twentieth annual report for the year ended March 31st, 1938.

## MEMBERSHIP.

The figures as to membership for the past two years are as follows:—

	1937.	1938.
Fellows and Associates in Practice	51	67
Fellows and Associates not in Practice .. .. .	96	92
Students .. .. .	86	76
	233	235

## OBITUARY.

The Committee regrets to report the death of Mr. J. N. Nutt, F.S.A.A., Derby, on December 8th, 1937. Mr. Nutt was President of this District Society from 1926-28, and also served on the Committee for many years. Until recently he took a very sincere interest in the activities of the Society. He qualified in 1893, and continued the practice established by his father in 1870, and was senior partner in the firm of Nutt, Horne & Co. His death is greatly regretted by all members.

## MEETINGS.

The following meetings were held:—

"Economics," by Mr. A. Radford, B.Sc. (Econ.).

"The Accountant's Outlook on Insolvency Practice," by Mr. A. V. Hussey, A.S.A.A.

"Bankruptcy Law and Deeds of Arrangement," by Mr. E. Westby-Nunn, LL.B. (Barrister-at-Law).

Annual Dinner.

"Statistics," by Mr. A. Radford, B.Sc. (Econ.).

"National Defence Contribution," by Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

"Examination Hints," by Mr. E. Miles Taylor, F.C.A., F.S.A.A.

"Trends in Economic and Social Policy," by Mr. Harold MacMillan, M.P.

"Holding Companies," by Mr. A. E. Langton, LL.B., A.C.A., A.S.A.A.

"Liabilities and Duties of Auditors," by Mr. A. E. Langton.

"Executorship," by Mr. C. A. Sales, LL.B., F.S.A.A.

The Committee is pleased to record the high standard of the lectures, but regrets that there is still a number of Students who do not take advantage of the opportunities afforded them to augment their studies by attendance at the lectures.

The Committee will be pleased to receive suggestions for future lectures and meetings from members and students.

## EMPLOYMENT REGISTER.

The attention of members and students of the Society is again drawn to the fact that the Secretary regularly receives notifications of vacancies and appointments, both home and overseas, which are available to members of the profession. Members who desire a change of employment should therefore communicate with the Secretary.

## SOCIAL FUNCTIONS.

The annual dinner held on December 2nd, 1937, was well attended by members and was most successful. The guests included the Lord Mayor and Sheriff of Nottingham, and Mr. Walter Holman, F.S.A.A., President of the Society of Incorporated Accountants and Auditors, and were fully representative of the business life of the district.

The Committee considers that this annual event is of the greatest importance to members, and every effort is made to keep the interests of the Society before the public by making this dinner an outstanding event in the city.

A luncheon was held on March 12th, 1938, at the Reform Club, Nottingham, at which Mr. Powell Heath, local director of Barclays Bank Ltd., gave a lecture on "Banking Practice."

#### LIBRARY.

The Library has been freely used by members and students during the year. Further additions have been made and the Committee will be pleased to receive suggestions for improving the facilities offered by the Library.

#### COMMITTEE AND AUDITOR.

The retiring members of the Committee—Mr. F. A. Prior, Mr. T. Broadley, Mr. C. J. White, and Mr. G. E. Watkins, being eligible, offer themselves for re-election.

The retiring Auditor, Mr. Walter Clayton, A.S.A.A., offers himself for re-election.

#### EXAMINATIONS.

The Committee tenders its congratulations to the candidates who were successful in the examinations of the Parent Society held in May and November, 1937. Eight were successful in the Final and three in the Intermediate.

The Committee offers its hearty congratulations to Mr. G. Sugden, A.S.A.A., who obtained third place in the Final examination held in November, 1937.

#### SOCIETY CONFERENCE AT BELFAST.

The Conference of the Society of Incorporated Accountants was held in Belfast in June, 1937, and this district was represented by the President, the Honorary Secretary and Mr. W. Gretton. The Conference was a great success and much appreciated and enjoyed by all members present.

#### POST-GRADUATE COURSE.

The Council is pleased to announce that, by kind permission of the Warden and Fellows of New College, Oxford, an Incorporated Accountants' Course will be held at the College from Wednesday, July 13th, to Sunday, July 17th, 1938.

This course of post-graduate lectures is intended primarily for members who have qualified during the past ten years and affords an excellent opportunity for advanced training and social activities.

## Scottish Notes.

FROM OUR CORRESPONDENT.

#### May Examinations—Glasgow Centre.

The May examinations for Scottish candidates were held in the Glasgow and West of Scotland Commercial College, under the supervision of Mr. James Paterson, Secretary of the Scottish Branch, member of Council, assisted by Mr. J. Hawthorne Paterson, Hon. Secretary of the Glasgow Students' Society. During the examinations the examination hall was visited by Mr. W. Davidson Hall and Mr. William Houston, members of the Scottish Council.

#### Discipline under Solicitors Act.

Following a report by the Discipline (Scotland) Committee, the Second Division of the Court of Session last month ordered the removal from the roll of solicitors of a Glasgow solicitor who recently practised in that city. While acting as law agent on behalf of a Glasgow company it was alleged that he had received a cheque for £56 for the purpose of paying an account due by that company to a Glasgow firm and, having cashed the cheque,

failed to account for the proceeds and thereby appropriated the money to his own use.

In his reply to the report he stated that he had been ill, had ultimately collapsed and was removed to the Glasgow Royal Infirmary. His left leg had been amputated, and under these conditions he had been unable to attend to his business.

The Lord Justice-Clerk took a serious view of the case as involving a breach of trust by a solicitor entrusted with clients' funds, but remarked that the removal from the roll was not necessarily final, and that if circumstances warranted and cause was shown, after an appropriate interval, for the restoration of his name to the roll, that would no doubt be considered when the time came. He was sentenced to two months imprisonment.

Attention is called to this case as an instance of the methods adopted in disciplinary cases under the Solicitors (Scotland) Act passed in 1933.

#### Two Bank Centenaries: An Innovation.

One hundred years ago, in March, 1838, the Clydesdale Banking Company was founded in Glasgow, chiefly by the efforts and influence of Mr. James Lumsden, one of Glasgow's leading merchants and later Lord Provost. In these hundred years the bank has made remarkable progress, and is now one of the leading financial institutions in Britain.

Last month the Paisley Trustee Savings Bank also celebrated the completion of a hundred years of service of a different but none the less valuable kind, in the promotion of thrift amongst persons not directly connected with the business done by joint stock banks.

To celebrate the centenary year the trustees have put forward a novel scheme. To the parents of every child born in the districts covered by the bank between May 14th, 1938, and May 13th, 1939, a bank book with 2s. 6d. at credit will be presented to the parents on production of the birth certificate.

#### Leaving Certificate Changes.

An important change in the Scottish school system, by which all pupils will have to remain in attendance at school until 15 years of age, will come into force next year. Changes in the Leaving Certificate examinations have also been intimated to become operative in the Session 1939-40. So far as the Junior Certificate is concerned, these changes appear to be in procedure only and the standard is not affected.

As regards the Leaving Certificate, the two subjects which appear to be mostly affected are history and geography. At the present time history appears as a compulsory subject in the Leaving Certificate examination because it is a part of English. As to geography, it has not been a compulsory subject, but the regulations said it ought to find a place in any curriculum.

## Notes on Legal Cases.

#### BANKING.

#### Gowers v. Lloyds and National Provincial Foreign Bank.

##### *Pension Receipt Forms.*

G, a retired Civil servant, died in 1929. The certificate incorporated in G's receipt forms had to be signed by one of specified classes of persons certifying that G was alive and that his was the signature on the receipt forms. From June, 1926, the certificates purported to be signed by a doctor. After G's death receipt forms on which G's signature was forged were presented to the defendant bank for collection and were paid by the plaintiffs until 1935, when G's wife died and the fraud was discovered, neither the plaintiffs nor the defendants knowing until then that G was dead. The plaintiffs claimed to recover from the defendants the amount paid on the receipt forms.

It was held that there was no implied warranty by the bank that they had authority to collect the pension on behalf of G, and that the plaintiffs could not therefore recover on that ground; nor, since the bank had paid the money over to their supposed principal, could they recover it as having been paid under a mistake of fact. (C.A.; (1938), 54 T.L.R., 550.)

### EXECUTORSHIP LAW AND TRUSTS.

#### In re Chetwynd's Estate.

##### *Right of Guarantor to Recover against Principal Debtor's Estate.*

On October 24th, 1930, S signed a joint and several promissory note. The other signatory to the note was the testator, C. The terms of the note were to pay to a moneylender or order "the sum of £156 for value received by five equal consecutive monthly instalments of £6, the first of such monthly payments to commence and become due and payable on November 24, 1930, and the balance of £126 to become due and payable on April 24, 1931. C, who was the principal debtor, paid the first instalment, but omitted to pay any of the subsequent instalments. The consequence was that S paid on January 27th, 1931, the sum of £138 in full discharge of the note, which was then handed back to him. The promissory note did not comply with the requirements of sect. 6 of the Moneylenders Act, 1927, and therefore could not have been enforced by the moneylender against either C or S, but neither of them was aware of that defect or had any doubt about his liability under the note. C died in 1935, but no part of the debt was paid by him during his lifetime to S.

It was held that S was entitled to prove as a creditor against the estate of C for the money paid by him to the moneylender, notwithstanding that the promissory note did not comply with the requirements of sect. 6 of the Moneylenders Act, 1927, since the only request which could be implied by law as a term of the transaction was merely one by C to S to pay, if C did not, and not "to pay this sum or so much of it (if any) as is not made recoverable by the Moneylenders Act."

(C.A.; (1938) 1 Ch., 13.)

#### In re Ashton's Estate.

##### *Gift for Parish Work.*

The Court of Appeal, affirming the decision of Luxmoore (J.) (see *Incorporated Accountants' Journal*, July, 1937, p. 410), held that a gift to the vicar and churchwardens for parish work is not a valid charitable gift.

(C.A.; (1938) 54 T.L.R., 491.)

### INSOLVENCY.

#### I. Re Conley.

##### *Deposit of Documents as Security.*

The wife and mother of a bankrupt deposited with a bank War Loan as collateral security for the bankrupt's indebtedness to the bank. Shortly before November 16th the bankrupt paid large sums into his account so that on that day the accounts were in credit. Shortly after that date the wife and mother demanded the release of their securities and obtained them. On November 30th the business of the bankrupt was closed down and he was immediately made a bankrupt. The securities in question were merely deposited with the bank and neither the wife nor the mother gave any covenant or undertaking of any kind to pay any sum to the bank.

It was held by the Court of Appeal, reversing the decision of Farwell (J.) (see *Incorporated Accountants' Journal*, February, 1938, p. 192) that the depositors, although they did not enter into any contract to pay the bank, were sureties or guarantors within the meaning of the Bankruptcy Act, 1914, sect. 44.

(C.A.; (1938) All E.R., 127.)

### REVENUE.

#### Hughes v. Bank of New Zealand.

##### *Non-resident.*

The respondent bank, registered and resident in New

Zealand, had a branch in London and was assessed to income tax under Schedule D in respect of the profits of the trade carried on at its London branch. Among the receipts of the London branch for the year in question were (a) interest on 5 per cent. War Loan, £75,621; (b) interest on Government of India 3 per cent. stock, £1,500; (c) interest on Grand Trunk Pacific Railway Bonds, £412; and (d) interest on Auckland Electric Power Board bonds, £1,023.

It was held by the House of Lords, affirming the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, March, 1937, p. 232) (1) That on the construction of sect. 46 (1) of the Income Tax Act, 1918, the 5 per cent. War Loan, being in the beneficial ownership of the Bank of New Zealand, which was not ordinarily resident in the United Kingdom, was exempt from tax under that section. Sect. 46 definitely excluded such interest from all taxation and it could not be taxed under Schedule D as part of the profits of a trade carried on in this country by the London branch. (2) That the interest on the 3 per cent. Government of India stock was exempt from tax under Schedule C, r. 2 (d). (3) That the interest on the bonds of the two Dominion companies was also exempt, because r. 7 of the Miscellaneous Rules applicable to Schedule D incorporated Schedule C, including r. 2 (d) of the General Rules under that Schedule, and such interest could not be taxed under Schedule D. (4) That there was no ground for holding that the expenses incurred by the respondent bank in acquiring the securities which were exempt from taxation should be excluded from the expenses of the trade in computing the amount of profits or gains to be charged to tax under Schedule.

(H.L.; (1938), 54 T.L.R., 542.)

#### Rhokana Corporation, Limited, v. Inland Revenue Commissioners.

##### *Conversion of Foreign Currency.*

By virtue of an option contained in debentures issued by an English company principal and interest were payable in sterling in London, in dollars in New York, or Dutch florins in Amsterdam. The interest was subject to income tax under Schedule D. In September, 1931, England went off the gold standard and holders accordingly found it more profitable to exercise their dollar option. For payment of the interest due in December, 1931, by far the greatest proportion of the warrants were presented and paid in dollars in New York at the contract rate of \$4.86 to the £ sterling. The warrants were for the net amount due shown in sterling, but with a clause setting out the dollar and guilder option. As the actual rate of exchange at that time was \$3.39 to the £ sterling, the payments made, when converted back into sterling, represented a much larger sum in sterling than appeared in the sterling sum set out on the face of the warrants, on which sum a first assessment on the company was based. An additional assessment was made on the company in a sum representing the difference between the actual value in sterling of the currency payments and the total sterling amounts shown on the warrants.

It was held by the House of Lords, reversing the decision of the Court of Appeal (see *Incorporated Accountants' Journal*, May, 1937, p. 308) that the contract was to pay to the holder the balance which remained after deducting from the sterling sum the amount of the income tax calculated on that sterling sum, and it was the balance only which the holder at his option could claim payment of in the foreign currency. The company had performed their obligation to the Revenue under r. 21 of the General Rules applicable to All Schedules of the Income Tax Act, 1918, read with sect. 33 of the Finance Act, 1924, by deducting the correct amount in sterling and accounting for it forthwith. If any of the holders, by receiving dollars, had obtained in money's worth more than the value of the sterling sum deducted, they could be assessed individually on that additional sum by the Revenue authorities.

(H.L.; (1938), 54 T.L.P., 579.)